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WATER SUPPLY SYSTEMS AND INSURED FHA LOANS

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HEARING BEFORE THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

S. 1766

A BILL TO AMEND THE CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961 TO AUTHORIZE THE SECRETARY OF AGRICULTURE TO MAKE OR INSURE LOANS TO PUBLIC AND QUASI-PUBLIC AGENCIES AND CORPORATIONS NOT OPERATED FOR PROFIT WITH RESPECT TO WATER SUPPLY AND WATER SYSTEMS SERVING RURAL AREAS AND TO MAKE GRANTS TO AID IN RURAL COMMUNITY DEVELOPMENT PLANNING AND IN CONNECTION WITH THE CONSTRUCTION OF SUCH COMMUNITY FACILITIES, TO INCREASE THE ANNUAL AGGREGATE OF INSURED LOANS THEREUNDER, AND FOR OTHER PURPOSES

JUNE 18, 1965

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WATER SUPPLY SYSTEMS AND INSURED FHA LOANS

FRIDAY, JUNE 18, 1965

U.S. SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The committee met, pursuant to recess, at 11:30 a.m., in room 324, Old Senate Office Building, Senator Allen J. Ellender (chairman) presiding.

Present: Senators Ellender (presiding), Holland, Jordan of North Carolina, Russell of South Carolina, Aiken, Young of North Dakota, Cooper, and Boggs.

(The proceedings at 11:30 a.m. begin on p. 30.)

* * * * *

AFTERNOON SESSION

The CHAIRMAN. We will now proceed to have testimony on S. 1766. (S. 1766 is as follows:)

[S. 1766, 89th Cong., 1st sess.]

A BILL To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

"(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

"(2) The Secretary is authorized to make grants aggregating not to exceed \$25,000,000 in any fiscal year to such associations to finance specific projects for works for the storage, treatment, purification, or distribution of water in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed the lesser of (i) 40 per centum of the development cost of that portion of the facility necessary to enable the project to serve the area which can be feasibly served by the facility and to adequately serve the reasonable foreseeable growth needs of the area, (ii) that portion of the development costs which are above the probable ability of the association to repay a loan for such purposes from income or assessments levied at a rate or charge for service within the ability of a majority of the users to accept and pay for such service and maintain a reasonable standard of living, or (iii) that part of the development cost of a facility constructed by a public body which is in excess of the costs which can be financed within the amount of obligations or levies permitted by law for which alternate revenue financing is not available.

"(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonable foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) The term 'development cost' means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(5) No loan shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to any public body or such other agency as the Secretary may determine having authority to prepare official comprehensive plans for the development of water systems in rural areas which does not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purpose of water systems, shall include any area not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population in excess of five thousand inhabitants."

SEC. 2. Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f) (1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000."

Senator HOLLAND. I understand that Senator Aiken wishes to make a statement on this bill, and he may now proceed.

STATEMENT OF HON. GEORGE D. AIKEN, A U.S. SENATOR FROM THE STATE OF VERMONT

Senator AIKEN. Mr. Chairman, realizing the value of time, I shall not undertake to explain the provisions of S. 1766 in detail as witnesses for the Farmers Home Administration will undoubtedly cover these.

This bill was introduced for the purpose of meeting a vital need, an immediate need.

The full import of this need came home to me when I found that some 50 Vermont dairymen in one community are threatened with loss of a market unless a new source of water for cleansing utensils and other purposes is secured.

This situation is not peculiar to Vermont—all over the United States and particularly in the dairy areas farmers are finding it increasingly difficult to meet the high sanitary requirements for food production with old-fashioned supplies of water.

Not just any water will do these days—it must be clean and chemically acceptable.

It is not the plight of dairymen alone that concerns me.

Rural communities—some 30,000 of them, we are told—need new water systems for food processing, for preparing vegetables for market, for fire protection, for maintaining local industries, for household uses and for washing the kids.

Until this need is met, these communities cannot grow and make their proper contribution to the overall growth of the Nation.

Until this need is met, they cannot absorb their part of the increasing population of our country—estimated at 100 million gain within the next generation.

Many communities where a new water supply would result in increased population and an expanded economy are presently unable to meet the cost by themselves.

That is why S. 1766 provides for grants which in the aggregate would not exceed \$25 million for construction and \$5 million for planning annually.

I know there are some who will say we cannot afford this \$30 million—but when compared with the billions of dollars approved for space exploration, poverty programs, atomic energy and a hundred other purposes—the small amount of \$30 million to help insure the food supply for all and provide a decent living for our rural people seems insignificant.

The Farmers Home Administration was selected as the agency to carry out the provisions of S. 1766 for these reasons:

- (1) FHA is already in the business of lending and insuring loans for this purpose.

- (2) It does not require years of study to find out how to carry on the work.

- (3) It already has the trained personnel necessary to do a good job and would not need to hire 1,500 to 2,000 new employees as another agency might have to do.

While we must give ever-increasing attention to the problems of our cities and urban areas, we should also understand that our vast rural areas have to meet a different set of problems and must realize that the solution to one is not necessarily the solution to the other.

The realization is emphasized by the fact that every Senator from the heavily populated city areas is also a sponsor of S. 1766.

City and country must work together if we are to grow strong together.

Mr. Chairman, the need for this legislation is urgent, and I trust the Congress will approve it at the earliest possible date.

I now submit for the record selected letters from my State and from various other areas of our country, all the way from Arizona to the Eastern States. I also ask that my statement and those I am mentioning now appear at the beginning of this record.

Some of these letters refer to S. 493. This, of course, was the original bill introduced last January, which was later revised and reintroduced as S. 1766.

Also, Mr. Chairman, I submit for the record some statements and letters. The first one is from Senator Mike Mansfield who submits a statement in support of the bill. He is one of the original sponsors of it.

The second one is by the Honorable Joseph Montoya, a statement from U.S. Senator Hugh Scott of Pennsylvania who states that Pennsylvania has the biggest rural population of any State in the Nation, a statement by Senator George McGovern of South Dakota in strong support of the legislation.

Then here is a statement submitted by Bert Bandstra, a member of the House from Iowa; and a statement by William Welsh, executive director of the National Reclamation Association.

Also a statement signed by Warren Kimball, secretary of the National Fire Protection Association Committee on Rural Fire Protection, and a statement from the American Water Works Co., Inc., of Wilmington, Del. I believe his statement recommends a couple of amendments to the bill.

Maybe some of the others recommend amendments, but I think most of them are in support of the bill without any change.

(The statements and letters referred to follow:)

STATEMENT OF HON. MIKE MANSFIELD, A U.S. SENATOR FROM THE
STATE OF MONTANA

RURAL WATER SUPPLY PROGRAM

Mr. Chairman, S. 1766 and its predecessor, S. 493, as introduced by the senior Senator from Vermont, George Aiken, brings before us two of the most important domestic issues of today—the need for conserving our water resources and the tendency to concentrate on the problems of urban areas at the expense of rural America. Rural communities and our water resources are very basic to the future prosperity and welfare of this Nation.

The Aiken bill meets this situation directly and would establish a program of Federal aid to rural water systems. An insufficient effort is being made to develop and preserve our small cities and towns. In far too many cases the one major drawback is the lack of a dependable water supply. The program envisioned in the Aiken bill would provide the necessary aid through a program of loans and grants.

I, as many of my Senate colleagues, am concerned about the movement to the big cities and the complex problems which are compounded by this growth. The cities and urban areas are in need of all the help they can get, but it seems to me that one of the more reasonable ways to approach the problem is to redirect this movement of our population. Not every industry or every family wants to be located in a huge metropolitan area. The Congress can do a great service by authorizing the rural water supply program as proposed in the Aiken bill. It is the one big effort needed today.

It was with a great deal of pleasure that I joined with the Senator from Vermont in the introduction of this legislation, and it has my enthusiastic support. I sincerely hope that the Committee on Agriculture will report this proposal favorably during the course of its consideration of new farm legislation.

STATEMENT BY HON. JOSEPH M. MONTOYA, A U.S. SENATOR FROM THE STATE OF
NEW MEXICO

Mr. Chairman, thank you for granting me this opportunity to appear before you in support of S. 1034 and S. 1766, legislation to authorize Federal grants to aid rural community development planning.

Until 1961, no serious consideration was given to the plight and problems of the small towns throughout rural America. Sagging farm income, loss of a million farm families, two major economic recessions during the decade of the fifties had taken a terrible toll of the small rural communities.

People living in these communities had a feeling of despair and hopelessness. The communities were withering and dying without a whimper. They were boxed in economically. They were victims of a combination of economic and social circumstances from which there seemed no escape.

Then in 1961, things changed. The administration and Congress took the position that rural communities were not inevitably doomed—rather, that they were a vital and indispensable part of rural America. As Secretary Freeman said: "No town need die if the people who reside there want it to live."

While no one single program can solve all the ills of a stricken rural community, it seemed self-evident from the outset, that one of the basic problems of many small rural towns and villages was the lack of basic community facilities.

Without a central water system, without a waste disposal system, without a community center, no community could hope to grow and prosper. It could not attract new business and industry. It could not provide any economic or social opportunities for young people. Any way you looked at it, the future for such communities was bleak.

Realizing this, the President recommended and Congress enacted the Consolidated Farmers Home Administration Act of 1961 which provided, among other things, for a greatly expanded program of community water system loans.

The need for such a program was great. According to the 1960 census there were more than 3 million rural homes without running water. Other surveys showed 30,000 rural areas without adequate water systems.

Since 1961, Farmers Home Administration has loaned more than \$72 million to finance the construction or improvement of rural water systems in 558 rural communities to provide clean running water for more than 385,000 rural people. The bulk of the funds to construct these water systems was provided by private investors and insured by the Federal Government. Aside from providing water systems, the program, since 1961, has provided local residents with more than 1.5 million man-days of employment.

Compared to the size of the problem, this is but a modest beginning. More important, are some of the amazing and heartening changes that have taken place in these communities:

In all cases, property values increased immediately—often as much as 100 percent.

New homes are built.

New business and new industry starts to locate in the community, which increases employment.

As property values rise and new business comes to town, tax revenues increase to be used for additional or for improving other community facilities.

Surrounding towns, seeing progress being made in another community, are stirred to do the same thing and demand for community water system loans increase steadily.

Four years of experience with the community water system loan program has pointed up the need for expansion and certain improvements in the program:

Loan authorization should be increased: In too many instances, in order to stay within the loan limits, a water system has had to be cut back in size.

The program should provide grants where necessary: Many communities, because of the low income of potential water users, and because of high costs where water treatment plans should be installed with the system, cannot afford to construct a system even under a long-term low-interest loan program. Yet many of these communities, studies show, have great potential for growth. Under the existing program they are foreclosed from the program and forever denied even this most basic of community facilities.

Four years experience with the community water system program has sharply pointed up the lack of other basic community facilities that hinder growth and make a community unattractive to business and to its young people.

As might be expected, lack of a community waste disposal system becomes the No. 1 concern of communities which now have water systems. They find out that a water system without a disposal system is a job only half done. Pollution and health hazards remain and, in some cases, compounded.

Again, according to the 1960 census, there were more than 4 million farm and nonfarm rural homes without any kind of sewage disposal facilities and there were 8.5 million rural homes with private cesspools or septic tanks—many of them dangerously inadequate.

In a majority of rural areas, there is no possible way to remedy this problem without a loan assistance program similar to the community water system program.

One could name thousands of rural areas that urgently need waste disposal systems—every State has scores of such communities. For example:

In New Mexico, there are three small unincorporated villages—Ranchos, Llano, and Talpa in Taos County—each closely adjacent to each other. Total population is around 750. The villages have a common school, and a health clinic. Each village has a water system. Their greatest need is a sewage disposal system and with grant and loan assistance, it would be feasible and practical to install such a system for all three villages and thus insure a better community and chances for growth and expansion.

Point, Rains County, Tex., is another typical example of a small agricultural community that has a good potential for growth if it could have loan assistance to install a waste disposal system. About 5 years ago a large lake, Lake Tawakona, was constructed within a few miles of the community and is now a popular recreation area. Point, as a result of the new lake, has attracted a few new homes and business enterprises but because of lack of sewer system and a community firehall, growth is not as rapid as it could be and should be.

In Wisconsin, Wabeno is a small unincorporated town located in the middle of the Nicolet National Forest with a population of 900. It is almost immediately adjacent to another unincorporated community of Soperton with a population of 300. Most of the people work in the woods or in the sawmills. Earnings are small. Both communities are without water or sewer systems. The sewer system need became acutely apparent during the past 2 years when a near epidemic of hepatitis broke out because of water pollution. Stream pollution in the area is becoming serious. These communities could be served by one central water and sewer system and a thriving community area could be developed as a result.

Many rural communities and areas lie close to existing gas and oil pipelines. Many of them are denied the benefits of these resources because too many private companies and investors do not think it is profitable to extend their pipelines to these small, low-density areas. This is similar to the attitude that prevailed 35 years ago among private power utilities when they refused to bring power to rural America.

The addition of a fuel distribution system, where possible, can be a great asset to the town and surrounding farm families. Such a system would be especially attractive to new homebuilders and to new business and industry.

Among other basic community facilities that are urgently needed in many areas are:

Community centers and meeting places.

Recreation areas.

Recent land-grant college studies show that lack of social opportunities in rural areas is a more impelling factor in driving young people to the cities than lack of economic opportunity.

To halt the steady migration of rural youth to cities which saps rural America of their energy and enterprise and adds to the problems of cities, rapid development of basic social community facilities are necessary with a loan program.

The day is not long past when the country schoolhouse served not only as the community's education center but was its indispensable cultural, social, and entertainment center as well. In the interest of better education and better school facilities there has been a rapid consolidation of rural school districts and an equally rapid disappearance of the small rural school.

In 1948, there were nearly 75,000 one-teacher schools—practically all of them in rural areas. Today there are less than 10,000 such schools left. School districts of all kinds (most of them in rural areas) have declined from 100,971 in 1948 to approximately 26,000 today.

This change was inevitable and probably for the best, but it has left thousands of rural communities without a social and entertainment center. It leaves a huge and unattractive gap in rural life.

In some rural areas, development of recreation facilities has been hampered, not because a loan program was not available, but because of laws which demand

that land suitable for recreation development must first be put under a "shift in land use" program before recreation loans can be approved. In some areas this is not possible or practical and legislation is needed to correct this barrier to many fine recreation plans.

For communities that want and need them, loan assistance should be made available for the construction of reservoirs, firetowers, and other structures.

The need for an expanded community facility loan program was summed up by President Johnson in his agricultural message on February 4, when he said:

"Yet gaps remain between the levels of living in rural America and those of urban America * * *. Parity of opportunity remains a distant hope for many. It is a challenge we must meet head-on * * *. The task of achieving a life of quality and dignity in rural as well as in urban America is one that will engage our minds and hearts and our energies for a lifetime."

I strongly urge the committee's favorable consideration of S. 1034 and S. 1766. Thank you.

STATEMENT OF HON. HUGH SCOTT, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, on behalf of the State with the biggest rural population of any in the Nation—the Commonwealth of Pennsylvania, I appreciate this opportunity to express my support of S. 1766, a bill to promote the rural water supply program.

We are known for great industries and cities, but no State has a deeper tradition of rural life. More than 3.2 million Pennsylvanians live outside the urban areas—about half a million more than in any other State.

The makeup of Pennsylvania's rural population shows how rural life today embraces not only farming, but all the facets of community activity and community needs. Of our 3.2 million rural people, about one-tenth live on the 85,000 farms of the State—some 356,000 farm people. Over 645,000 live in the rural towns. Over 2.2 million are neither farmers nor townspeople; but they have homes in the country and they are part of the rural community. All these groups need the broader opportunities to solve urgent personal and community problems which would open up through the Farmers Home Administration by enactment of S. 1766.

This is a bill to correct the insufficiency of some of our best conceived, best administered, and and soundest programs for rural progress.

I am proud to join the distinguished dean of the Senate Republicans, Senator Aiken of Vermont, and 91 other Senators in sponsoring this bill. As the Senate's majority leader has stated, " * * * this is one of the most important bills which will come before the Congress this year."

Probably the greatest problem still pervading rural Pennsylvania is the problem of water supply. Over most of the State, mineral deposits pollute much of the subterranean water. Good wells of any depth are hard to come by. Towns and farms in those valleys between the high mountains of Pennsylvania have always struggled with the necessity to store up rainwater in cisterns or ponds, or haul water from distant sources. Otherwise, many have had to risk the use for human consumption of water that is polluted with mineral acids or some other form of contamination, not up to health standards.

Back in 1958, when rural water projects financed by the Farmers Home Administration were still limited to serving farms, a project was organized in central Pennsylvania that pointed a way out of this dilemma. A rural water system was built in Walker Township of Centre County. The loan through Farmers Home was for \$246,000, to build a system serving 230 families around a 28-mile circuit. Later, when this Farmers Home service was extended to other rural people, about 100 taps were added to the Walker Township system, including the small communities of Hoopersburg and Zion.

This system, with a dependable source of unpolluted water, has brought the water supply within that district up to standards prescribed by the Pennsylvania Department of Health. People no longer become ill from the water they have to use in Walker Township. And not only is the loan being paid back from earnings of the system, but the reserve on hand for repayment is now \$10,000 ahead of schedule.

Other systems now have been developed at Spring Mills in Centre County, Weedville in Elk County and Glen Hope in Clearfield County, all under the expert guidance and with loans provided through the Farmers Home Adminis-

tration. Construction of another for Upper Half Moon in Centre County is about to begin; and some 15 or 20 more districts have applications pending or efforts underway to organize projects which could be formally applied for at an early date.

The State department of health has recognized in this program the best hope for a massive remaking, through local initiative, of the water supply in rural Pennsylvania. It has been estimated by experts on this question that through methods employed in the Farmers Home program, 1,000 towns and rural districts in my State could develop new systems all paying their own way, and 1,000 others could modernize existing water systems and make them all conform to health standards.

However, this cannot be done under present limitations on the Farmers Home Administration.

Many localities in the Pennsylvania mountain country have rock deposits to cut through in laying pipelines; so the cost of a system, although economically feasible, may be higher for that reason than in parts of the country where the subsoil presents no such problem. Also, sources of unpolluted water such as springs, streams, and deep wells are few and far apart in much of Pennsylvania, so that areas of considerable size must depend on the same water source. That means relatively large rural systems must be built.

Therefore many fine projects cannot be developed within the \$1 million limitation now in force on a single Farmers Home insured loan. For example, three townships in Franklin County of southern Pennsylvania are stymied in efforts to organize a common-source water system serving 1,200 families because the million-dollar limit is only about half enough.

Many other projects are held up by the 2,500 population limit on a rural community served through a Farmers Home insured loan.

In certain instances, grants would be well justified to help a rural community overcome the initial expense of developing a safe and reliable water supply. What single step could be more worthwhile to get a lagging rural community off dead center than to create a modern water system and liberate that area from the old, never-ending struggle for water?

Pennsylvania's problem is but typical of all rural America. This fiscal year, the \$200 million loan insurance authority of the Farmers Home Administration was not half enough. Water systems loans in the Nation totaled \$50 million for some 386 projects; but about 1,500 good and worthwhile applications are waiting. Next year, ever-increasing hundreds of new applications will be added to this carryover. This will be repeated to scale in rural recreation development, family farm ownership loans, and all the other invaluable purposes served through Farmers Home insured credit.

This agency's fine, forward-looking management has set a high example of service to the borrower, the private lender, and the taxpayer. These loan programs are in the black; collections exceed payments due. They are at the same time forestalling disaster and rebuilding prosperity in the great rural segment of our society. I doubt that any agency has exhibited more technical skill and ingenuity than the Farmers Home Administration in finding ways to extend water service into the rural countryside at feasible cost, giving rural people the same convenience and protection that urban people are accustomed to. The program should go forward in the hands of this agency so capable and widely experienced in the needs of rural people.

S. 1766 will bring these programs up from the level of "half enough" more nearly to the point of sufficiency, by raising the overall insured lending authority to a more realistic ceiling of \$450 million, the limit on a single loan to \$4 million, the population of a rural area served to 5,000, and authorizing grants aggregating \$25 million a year.

I wholeheartedly support and urge the passage of S. 1766 retaining these essential improvements.

STATEMENT OF HON. GEORGE S. MCGOVERN, A U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, thank you for this opportunity to speak in behalf of S. 1766, Senator Aiken's much-sponsored bill.

As a Senator from the agricultural State of South Dakota—one that ranks fifth nationally in the high ratio of rural to urban people—I am indeed proud to be a sponsor of this legislation.

This is an important bill for all of the people of South Dakota and for the Nation as a whole. It will enable the Department of Agriculture's Farmers Home Administration to be far more effective in meeting the need of farmers and rural residents for additional credit sources. These sources are needed to strengthen farm family agriculture and to raise rural living standards.

Sufficient rural credit is a vital economic factor in a State like South Dakota where over 60 percent of the residents live in rural areas—many of which are undeveloped—and where there are close to 280 different rural communities of 2,500 people or less.

Those of us familiar with the critical economic conditions in most rural areas are particularly interested in this legislation. Farmers in South Dakota and all other States have been caught in the long-term cost-price squeeze. For many South Dakota farmers and ranchers there is no alternate source of income for lack of off-farm employment opportunities.

This is not only an important bill from the farmers' standpoint, but also from that of the consumer and the broad national interest.

We continue to receive reports from country banks that increased numbers of them are loaning up to their legal capacity. In fact, the demand for cash needed to continue normal business transactions is so great that an alarming number have been forced to discount their short-term paper for as low as 96 percent in order to get necessary capital.

An important part of S. 1766 is section 1, which is aimed at helping rural communities obtain dependable water supplies. In South Dakota, because of three Farmers Home Administration loans to the same number of nonprofit community associations, hundreds of farm and other rural residents are now enjoying an adequate supply of safe water for the first time.

Although eight more Farmers Home Administration loans are in various stages of development throughout South Dakota, there are still close to 100 rural communities that do not have an adequate fresh water supply and the residents are forced to depend upon shallow wells, cisterns, or even hauled water for this necessity of life. Throughout the United States there are more than 30,000 rural areas still without modern water systems.

The benefits of this Farmers Home Administration supervised credit program are well demonstrated by what happened after some \$576,000 in Farmers Home Administration credit was extended to the Rapid Valley Water Service Co., Pennington County, S. Dak.

This loan insured by Farmers Home Administration made possible the construction of a complete water distribution system in May 1964, consisting of a deep well, storage reservoir, and 16 miles of water mains.

Today, over 2,000 farmers and other rural residents are receiving a dependable water supply for the first time in the community's history. Also served by this system are a church, an elementary school, and some businesses. Before the water was turned on, the community was depending on shallow wells which caused State health officials much concern. Availability of running water has been reflected by the construction of several new homes in the community.

Farmers Home Administration during this fiscal year ending June 30 will make over 380 loans for some \$50 million in 34 States for the construction of much needed community water systems to serve an estimated 182,000 farm and other rural residents.

South Dakota rural community groups are not only making increased use of the water system loan program, but are financing much needed grazing associations and rural recreational centers through the agency's insured loan program to bring about the shift in land use.

During this fiscal year, the Farmers Home Administration has already extended \$1,962,860 in long-term credit to six South Dakota grazing associations for buying or assuming private leases on over 75,000 acres of land. The associations will make it possible for 83 farm and ranch families to graze some 3,800 head of livestock—mostly beef cattle.

Because of this credit, these 83 South Dakota families will be more secure, become more efficient, make more money and become better customers for businessmen in their hometowns.

Improvements that will be made on the 83 ranches, the increase of cattle and sheep numbers on the range, improvements that will be made in homes and facilities of the associations' members will add to the tax base of the five counties in which they are located.

Nonprofit associations in five South Dakota rural communities during this fiscal year were also loaned \$343,110 to finance construction of much needed recreational and community meeting facilities.

The expanded insured loan program contained in this legislation is seriously needed if we are to back the President's commitment to strengthen America's family farms and revitalize rural communities. The bill fills a critical credit gap in the Nation's rural areas.

STATEMENT OF HON. BERT BANDSTRA, REPRESENTATIVE IN CONGRESS FROM THE
FOURTH CONGRESSIONAL DISTRICT OF IOWA

Mr. Chairman, members of the committee, an adequate water supply is one of the greatest needs of rural communities in America today. Without a good and dependable water system, no community can expect to develop its full potential. If it lacks a modern water supply system, a community's chances of attracting new industry are slim indeed. This is a plight in which many rural communities now find themselves. The Farmers Home Administration estimated recently that more than 30,000 rural communities lack good water. People in these areas are forced to rely on shallow wells, rainwater cisterns, streams or ponds, and in some cases these water sources are frequently polluted.

Four years ago, when the Congress enacted the Consolidated Farmers Home Administration Act of 1961, it gave the Farmers Home Administration authority to provide loans to rural communities for the development. This program has proven highly successful. Between January 1, 1961, and December 31, 1964, the FHA made or insured more than \$72 million to finance work in 37 States. Last February, the Secretary of Agriculture stated that the FHA had on hand pending loan applications totaling about \$118 million. The success of this loan program, together with the large number of applications made in connection with it, clearly demonstrates the need for development of rural water systems.

But more needs to be done. S. 1766, in addition to expanding the existing loan program, would provide the FHA with the authority to make Federal grants for the development of water systems in rural areas to nonprofit corporations and public or quasi-public agencies. These grants would be an excellent investment. Water is a basic necessity for any community, but it is also essential for economic growth. Lacking a good water supply, many rural communities are without a sound financial base; and, lacking a sound financial base, they are without the economic resources to obtain a good water supply system. A program of Federal grants for rural water development is the most promising method of solving this dilemma.

With these considerations in mind, I respectfully urge this committee to give favorable consideration to S. 1766.

STATEMENT OF WILLIAM E. WELSH, EXECUTIVE DIRECTOR, NATIONAL RECLAMATION
ASSOCIATION

My name is William E. Welsh. I am executive director of the National Reclamation Association.

In many areas throughout the Nation, water is becoming the most serious and critical problem. There was a time when water shortage was thought of as being only the problem concerning the arid and semiarid or desert areas of the western half of the United States. Now, it is rapidly becoming a serious National problem.

The future growth and prosperity of our Nation, as well as the health and well-being of our citizens, will depend upon an adequate supply of good quality usable water available at all times.

The seriousness of our encroaching National water crisis is recognized by all who have studied the problem in all of its aspects. This is a problem of serious and far-reaching implications to all Americans. The rapidly increasing demands on our available water supplies will soon require every American, whether he resides in an urban or suburban, industrial or rural area, to make water his own personal concern.

Donald A. Williams, Administrator, Soil Conservation Service, and one of the Nation's foremost authorities on land and water, at the national water research symposium sponsored jointly by our association and the National Association of

Soil Conservation Districts, delivered a very significant address from which the following is quoted :

"Water, lifeblood of agriculture, of industry, of commerce, of life itself, cuts across every segment of our society, our economy, our daily lives * * *. The water business is serious business. It calls for our very best thinking, our best planning, action with a capital A and perhaps above all, the ultimate in coordination.

"The water supply problem is not one problem, but many. The solution is not one, but many. The people who must act are not few, but many. The people affected are not many, but everybody."

By the year 2000, our population will double and within another 35 to 40 years, it will double again, but the problems involved in maintaining an adequate supply of water for everyone is compounded by the fact that our demand for water per capita is constantly increasing.

An alarming trend in connection with our so-called population explosion is the tremendous migration of our citizens from the rural areas to the larger cities. To me it would seem highly desirable that we should provide for the rural areas the same conveniences of the home that the people in the larger cities enjoy. There are still too many rural areas and too many rural homes where modern conveniences are not yet available.

The bill, S. 1766, is most assuredly a step in the right direction and would materially aid in modernizing the water supply systems of the farmhomes of today.

The late Senator Robert S. Kerr, of Oklahoma, who served as chairman of the Senate Select Committee on National Water Resources, in an address delivered before the same national water research symposium in Washington, D.C., said :

* * * "Water is the economic bloodstream of our Nation's economy. As never before today's civilization requires more and more water to move its heavy cargoes, to cool its industrial plants and for disposal of its wastes. * * * Our national water supply situation is dynamic. The magic key to open tomorrow's doors is to solve its problems today. Action to avoid water difficulties, rather than efforts to correct them after they have occurred, must be taken if economic decline is to be avoided in many areas. Now is the time for a greater effort to find solutions to the problems that are already on the horizon."

One area of the Nation in which the water situation is already acute—in fact it has been acute for some time—is the Pacific Southwest. Adding to the seriousness of the situation in that area is the fact that the population is increasing at a tremendous rate. Citizens of the United States are not only moving westward, but they are really migrating to the Pacific Southwest at an almost unbelievable rate. The leaders of that area who are now uniting in an effort to find the solution and the answer to the critical water problem confronting them, are already looking forward to the possibility of importation of water—perhaps from a distance as far as 1,000 miles away.

The board of directors of the National Reclamation Association, in a letter addressed to the Members of the Congress from each of the 17 Western States a year ago, said :

"The western water crisis, plus the great western migration of our population, means that we must act today if we are to meet the problems of tomorrow."

Thus far I have been confining my remarks very largely to the western half of the United States for the reason that the National Reclamation Association, which I am representing, is authorized to represent that area in matters pertaining to water. But we are fully aware of the fact that the problem is now becoming increasingly important in other areas. We have had called to our attention, many times recently, the critical situation of the Northeastern States, a situation which has developed within the last few years.

It is interesting to note that the Senate select committee in its report of a few years ago, in which it mentioned the areas of water shortage and probable water shortage, failed to mention the Northeastern or New England States since the water problems of that area had not developed when the Senate select committee report was prepared.

The following is an excerpt from the report of the Senate select committee which was widely heralded throughout the United States at the time it was made public :

"* * * the Nation's water resources are not uniformly distributed in all the geographic regions. There are already substantial areas of water shortage in many of the river basins in the western half of the United States. On the basis of the water supply-demand studies prepared under the foregoing assumptions,

full development of all of the available water resources in 5 of the 22 water resource regions into which the contiguous part of the United States was divided for the purposes of the studies will be required by 1980 or earlier, if the projected increases in population and economic activity are to be achieved. The five regions are:

- "1. South Pacific¹
- "2. Colorado River
- "3. Great Basin
- "4. Upper Rio Grande-Pecos River
- "5. Upper Missouri River

"By the year 2000 the following regions will be added to the list of those in which full development of available water resources will be required if the projected demands are to be met:

- "6. Upper Arkansas-Red Rivers
- "7. Western Great Lakes²
- "8. Western Gulf."

It behooves us as a nation, in view of the critical situation confronting us, to employ and resort to all practical and legitimate means to augment our national water supply. We must strive to reduce losses through evaporation and transpiration. We must study means of controlling or eliminating water loving plants (phreatophytes); we must study the problem of evaporation losses on large reservoirs, the loss of water through seepage and deep percolation. We must continue our efforts to find an economical means of desalination of salt or brackish water. We must find better and more economical means of transporting water to areas where it is needed. All of these programs must be carried forward on a nationwide basis.

But in our efforts to meet the encroaching water problem, it is surely appropriate that we should take into consideration the urgent needs of improving the water supply for our rural areas. We believe such a program should be inaugurated immediately not only as a means of meeting the urgency of the encroaching problem, but also to encourage people to remain on the farms.

The late President John F. Kennedy, in his well-remembered natural resources message of 1962, said:

"The leadtime is long in the development of water resources. * * * Time should not be lost. * * * In the work of conservation, time should be made our friend, not our adversary. Actions deferred are frequently opportunities lost, and, in terms of financial outlay, dollars invested today will yield great benefits in the years to come."

I strongly support the legislation now under consideration before this committee, S. 1766, and wish to especially commend Senator Aiken and all the other members of the Senate who joined with him in sponsoring this very important legislation.

On behalf of the National Reclamation Association, I wish to express my appreciation to the members of the Committee on Agriculture and Forestry for the privilege of presenting this statement.

STATEMENT OF WARREN Y. KIMBALL, SECRETARY, RURAL FIRE PROTECTION AND PREVENTION COMMITTEE, NATIONAL FIRE PROTECTION ASSOCIATION, BOSTON, MASS.

The National Fire Protection Association's Committee on Rural Fire Protection is very much concerned over the problem of water supplies for rural fire protection. This committee works with the U.S. Department of Agriculture and various other organizations concerned with rural fire protection. It is estimated that 40 million Americans living in rural areas depend upon private water supplies for domestic service and for fire protection. In addition to agricultural operations, in recent years thousands of homes and businesses have moved into rural areas lacking public water supplies. Rural fires in the United States take a toll of several thousand lives annually. The rural fire loss approximates \$100 million each year exclusive of forest fire and transportation losses.

"It might be said that this region has already run out of water. Present deficiencies are being met by importation of water from other regions and plans are being made for additional importation from the Central Pacific region.

"This is a special case, assuming availability only of runoff from U.S. portion of watershed and not considering additional use of Great Lakes water for waste dilution."

A principal factor in many of these fires is a lack of water. Thousands of volunteer fire departments serving rural areas are chiefly dependent upon the limited amounts of water they can carry in their apparatus tanks plus any convenient bodies of water from which they can take suction. The NFPA Sectional Committee on Fire Departments Serving Rural Areas is very much concerned over the water supply problem. A special subcommittee is studying the problem of private water supplies for rural fire protection.

It is our view that legislation to encourage and facilitate properly designed water systems in rural areas could be a significant factor in the reduction of loss of life and property by fire. Most of these areas already have volunteer fire departments with good apparatus but which are seriously handicapped by lack of water for firefighting. We have been informed by persons technically qualified in the field of rural water supplies that relatively small expenditures would be involved in making rural water systems useful for fire protection. We urge that any program to encourage and provide rural water supplies include fire protection as a major objective.

AMERICAN WATER WORKS Co., Inc.,
 Wilmington, Del., June 18, 1965.

HON. ALLEN J. ELLENDER,
 Chairman, Committee on Agriculture and Forestry,
 Senate Office Building, Washington, D.C.

MY DEAR SENATOR ELLENDER: The water service industry and we who have labored in it for many years are gratified by the growing attention given by State and Federal Government to our ever-increasing mutual problems, including the extension of water distribution facilities.

The reason for the existence of our industry, and our common aim with Government, is to provide the best possible water service at the lowest possible cost to new and developing areas.

The taxpaying, investor-owned water service industry is proud of the part that it has played in the growth and development of our country. Large areas of our Nation, including urban, suburban, and rural populations, are served by our systems. Between 20 and 30 percent of the Nation's water service is provided by investor-owned systems, regulated as to user rates and charges, capital structure, method of operation, and rate of return by State regulatory commissions. American Water Works Co., Inc., is the parent of 84 operating companies which provide excellent and efficient service to 480 communities in 18 Midwestern, Southern, and Eastern States. In serving over 4 million people, the American system companies have invested over a half billion dollars in plant and equipment. In 1964 alone we paid over \$13 million State and Federal taxes on the property and revenue of our systems.

We have sought in the past and are now constantly seeking new methods to provide extension of our water service systems.

Frankly, measured in terms of performance, our capacity to expand and extend our distribution systems has not measured up to our desire. This has not been because of any limitation upon our ability, but has been a combination of problems arising from the well-ententioned desire of regulatory practices to protect the low rates of existing customers, which compounds the problem of providing higher capital investments per customer required in suburban and rural areas. Unfortunately, our industry, unlike some of our brother utilities, is not susceptible to technological advance to reduce costs.

Several examples of these impediments are as follows:

(1) In 1962 Congress provided a 7 percent investment tax credit to most industries. The public utilities field, in which we are engaged, received only 3 percent. Even then it was with the greatest difficulty that we persuaded some State regulatory agencies to permit us to retain this saving for the purpose of providing capital for system development, as opposed to their desire to appropriate the saving for the purpose of reducing existing customer rates.

(2) The same dilemma exists with regard to the treatment of tax savings attributable to accelerated depreciation granted under the Internal Revenue Code. For example, in 1964, of \$1,992,700 tax savings from accelerated depreciation, \$440,600, or 22 percent was compelled to be used to reduce operating expenses, with the benefit again going to existing customers.

Our business is to provide water service. We feel that, despite limitations, we have done an excellent job in the past and we expect to do a better job in the future.

Our concern with the bill upon which this hearing is conducted (S. 1766) lies in the definition of "rural areas" contained in paragraph 7.

Fayette County, Ky., where we are proud to be franchised to serve through our Lexington Water Co., contains only one city, village, or borough having a population in excess of 5,000 inhabitants—the city of Lexington itself. Our system extends in many places almost to the borders of the county, many miles away. However, under the terms of the definition contained in paragraph 7 almost any area of the county not presently served by us, but which we plan to serve as future reasonable foreseeable growth occurs, could presently be eligible for assistance under the act. This situation would be typical throughout our system.

We feel that such an application of this act would be unfair competition to our industry, would hamper our future growth, and would be an unwise application of nonrecoverable funds of the U.S. Government to areas which will undoubtedly in the future justify self-liquidating programs of water service and which, at the same time, if operated by tax-paying, investor-owned companies, will produce tax revenues.

There are many remotely rural areas, not susceptible to great population growth or development within the reasonably foreseeable future or not within the range of help from an existing system, which certainly require assistance of the type contemplated by this act. Refinement of the definition in paragraph 7 should be undertaken to insure that the act is applied to benefit those areas only.

The major difficulty in accomplishing remote extension of water service is not the rate required to be paid by the remote customer, but the difficulty of obtaining the amount of capital required for that service, which may be called "excessive investment" insofar as it greatly exceeds the investment per customer in the existing system, upon which the rates are based. Prospective remote customers frequently find the necessary capital is unavailable to them from ordinary sources, and the existing water companies are unable to supply it without seeking major increases in rates.

In areas within range of our existing companies, a happy solution could be found if the funds available under this act to groups or associations of remote customers could be used for "extension deposit agreements."

The extension deposit agreement is an old and tried method of providing remote extension of water by the industry. By such agreement, subject to State regulatory practices, the remote customer deposits the amount of excessive investment with the company to obtain the service. As the area develops with new customers, increasing the revenues to the company, refunds are made by the company to the customer in accordance with established rules. In applying this method to the funds under consideration by this act, the remote customer could obtain the amount of the deposit from the Farmers Home Administration apportioned by the guidelines therein established as to grants and loans, and in turn assign the repayment rights received by him from the company to the Farmers Home Administration. This would result in an eventual liquidation of part or all of the Government's investment and simultaneously increase tax revenue.

Therefore, with the greatest respect we submit that paragraph 7 should be amended to read in the following manner:

"(7) Rural areas, for the purpose of water systems, shall include any area not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population in excess of 5,000 inhabitants; provided however, that no loan or grant shall be made to establish a water system within 10 miles of an existing distribution system of a public water service system or an investor-owned water service system subject to regulation by State regulatory authorities with respect to user rates and charges, capital structure, methods of operation or rate of return, except to agencies described in paragraph (1), under the conditions in paragraphs (2) and (3), for the purpose of financing extension deposits under agreements subject to State regulatory rules and practices between such agencies and existing public or investor-owned water service systems. In the event of any such loan or grant, the agency shall assign to the Farmers Home Administration its rights to reimbursements or repayments from the water company required by the extension deposit agreement."

Also we recommend that a new paragraph be added as follows :

"(8) For the purpose of effecting orderly community development consistent with a comprehensive community water development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located, a water system financed under this act may be sold to a public or investor-owned water system subject to regulation by State regulatory authorities with respect to user rates and charges, capital structure, methods of operation or rate of return, for a price equaling the amount of assistance granted hereunder less reasonable and appropriate depreciation to the physical assets of such system."

We respectfully request that this letter be treated as my testimony upon the hearing of this bill and thank you for your courtesy and attention.

Sincerely yours,

J. J. BARR, *President.*

Senator AIKEN. Here is a telegram from Howard Cowden, chairman of the Trimble (Mo.) Water District, and certain other telegrams and letters which, as I said, I will submit for the record. Included among them is a resolution adopted by the Legislature of the State of Vermont.

(The resolution, telegram, and letters referred to follow:)

KANSAS CITY, Mo., June 18, 1965.

COTYS M. MOUSER, *Chief Clerk,*
Senate Committee on Agriculture,
Washington, D.C.

Sorry, cannot come to Washington to testify today on S. 1766. I am 100 percent for it. There is great need for assistance to rural communities in obtaining supply of good water. We are just completing organization of district. We will have 84 users and costs will be \$131,000. Because small village is included district is feasible. Another group of farmers in purely rural area attempting to organize finds cost very high. This area soon will be mostly suburban. Instead of putting in small districts as we are doing S. 1766 would permit organizing larger districts with better sources of water and better treatment plants and therefore better serve area when it becomes suburban.

HOWARD A. COWDEN, *Chairman,*
Trimble (Mo.) Water District.

LEGISLATURE OF THE STATE OF VERMONT, 1965

NO. R-29. JOINT RESOLUTION RELATING TO RURAL WATER SUPPLY (J.R.H. 27)

Whereas it has been declared to be the policy of Vermont that the water resources of the State shall be protected, regulated, and where necessary, controlled under authority of the State in the public interest and to promote the general welfare; and

Whereas the increasing use of water fit for human consumption by Vermonters for residential, recreational, and agricultural purposes is a matter of great public interest; and

Whereas extreme shortages of such water have been experienced in many rural areas of Vermont; and

Whereas such water shortages are not restricted to Vermont but are a national problem well meriting Federal recognition and assistance; and

Whereas it is the primary responsibility of the State and local communities to plan, develop, and distribute water in rural areas; and

Whereas the Congress of the United States is now considering specific proposals such as Senate bill No. 493, introduced by Vermont's Senator George D. Aiken, to meet the critical water needs of rural America; such proposals designed to provide Federal assistance to the improvement and expansion of existing facilities and the development of new water systems and distribution methods: Now, therefore, be it

Resolved by the senate and house of representatives, That the General Assembly of the State of Vermont endorses the aims and purposes of Senate bill No. 493 and urges the 89th Congress to give favorable consideration to legislation embodying the principles set forth therein; and be it further

Resolved, That this assembly believes that section 302 of Senate bill No. 493 should be amended to permit grants to be made to State political subdivisions, as well as cooperative or mutual associations; and be it further

Resolved, That the secretary of state is hereby directed to send a copy of this resolution to our congressional delegation.

Approved: April 21, 1965.

PHILIP H. HOFF,

Governor.

FRANKLIN S. BILLINGS, Jr.,

Speaker of the House of Representatives.

JOHN J. DALEY,

President of the Senate.

BURLINGTON, VT., April 13, 1965.

Senator GEORGE D. AIKEN,
Senate Office Building, Washington, D.C.

DEAR GEORGE: I am enclosing a resolution passed by our Vermont State RAD Committee on April 8 which I believe is self-explanatory. We are facing up to a real critical water situation here in the State, and we feel that anything that can be done to help communities get an adequate supply of water is a must, both as far as agriculture is concerned and also as far as the total population in many of the towns is concerned.

Sincerely,

R. P. DAVIDSON, *Director.*

THE EXTENSION SERVICE—UNIVERSITY OF VERMONT

VERMONT STATE RAD COMMITTEE MEETING, APRIL 8, 1965

* * * * *

Passed the following motion:

Recognizing the critical water situation facing farmers, nonfarmers, and communities, we recommend that Congress seriously consider use of Federal funds to provide meaningful assistance in the form of grants and low-interest loans for water systems to communities and area associations, and that the State of Vermont be encouraged to immediately make available necessary and matching funds.

Copies of this motion to be sent to:

The Vermont congressional delegation.

Gov. Philip H. Hoff.

The Interagency Committee on Natural Resources.

BRIDPORT, VT., May 20, 1965.

Hon. GEORGE AIKEN,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR AIKEN: I am taking the liberty of writing you concerning a very acute "water shortage" which exists in our township, namely, Bridport, Vt.

Our water problem has been especially critical during the past 3 years and it is very evident that this year will be even worse as many cattle ponds and wells are at present 50 to 60 percent below their levels at this time last year.

Enclosed are a number of newspaper clippings from the Addison Independent of Middlebury, Vt., which I am sure you will find to bear out our very critical problem.

We are in dire need of Federal aid to assist us in obtaining a public water supply system in the towns of Bridport, Shoreham, and Addison. A survey and engineering plan has already been prepared by Camp, Dresser & McKee, of Boston, Mass., and has been approved by the majority of the water commissioners in the above-named towns.

Since our population is almost 90 percent in dairy farming, we are compelled to have "bacteria free" water which must conform to the uniform milk sanitation code, and we are severely handicapped. Our livelihood and future growth is being jeopardized by the lack of both Federal and State funds to aid us in our critical problem.

We urgently request your support of any Federal agency action which will assist us in obtaining immediate assistance and relief.

May I say "thank you" for your kind and prompt attention to the above matter, and wish you continued success.

Very truly yours,

STEPHEN C. COOKE, *Selectman.*

BRIDPORT, VT., May 27, 1965.

HON. GEORGE D. AIKEN,
U.S. Senate, Washington, D.C.

DEAR SENATOR AIKEN: We wish to thank you for your continued efforts to obtain Federal assistance for the construction and improvement of rural water systems. We are convinced that there is no better way to maintain and improve the economy in rural areas where obtaining water is a problem.

In our own great Champlain Valley, a large percentage of the dairymen are limited in the number of cattle they can keep due to the shortage of water. Most of the water they do have is unfit, from the standpoint of quality, to meet modern standards. These limitations will force many dairymen out of business.

Rural water systems are very expensive to build due to the length of pipe that must be laid. Therefore, they cannot possibly be constructed without State and Federal financial assistance. Because of the importance of agriculture to the economy of the Nation, we feel that this assistance should be made available.

We are sorry that the Senate bill 1766 would make only 40-percent grants available instead of the 50 percent provided for in Senate bill 493.

If you have the time, please let us know of the progress made toward passage of the bill.

Sincerely yours,

ARNE V. HILTUNEN,
Chairman, Water Commission, Tri-Town Water District No. 1.

EAST MONTPELIER, VT., March 3, 1965.

HON. GEORGE D. AIKEN,
Senate Office Building,
Washington, D.C.

MY DEAR SENATOR AIKEN: After reading S. 493, Rural Water Act of 1965, I wish to compliment you on your forward thinking and interest in rural America. I believe it is time for action such as this to be taken. I also am of the opinion that your bill S. 493 will get the job done most efficiently and in the shortest possible time. We, at Washington Electric Cooperative wholeheartedly support your approach.

Hoping to be able to see you the next time I am in Washington, I remain,

Very truly yours,

SAILEY ENNIS,
Manager, Washington Electric Cooperative, Inc.

JOHNSON, VT., February 19, 1965.

Senator GEORGE D. AIKEN,
U.S. Senate,
Washington, D.C.

DEAR GOVERNOR: Concerning S. 493, Rural Water Act of 1965, it seems to me that you have come upon a wonderful solution to this rural problem. Your approach will certainly get the job done most efficiently and in the shortest possible time. I have found that both the HHFA and the CFA can bog projects down through their redtape.

We wholeheartedly support your approach and I am sure the other electric cooperatives in our State would also agree with me.

Respectfully,

W. N. COOK, *Manager,*
Vermont Electric Cooperative, Inc.

MIDDLEBURY, VT., February 1, 1965.

Re Tri-Town Water District No. 1.

Senator GEORGE D. AIKEN,
Senate Building, Washington, D.C.

DEAR SENATOR: Thank you for forwarding to me a copy of Senate bill 493 to put rural water supplies under the Rural Electrification Act. I think this is a very intelligent outlook on the entire situation and may be the answer to many rural community problems.

The real crux of the matter seems to be that in any rural water system, the number of users is out of proportion to the amount of pipeline that must be run to connect them and that the individual towns never could raise enough money by themselves to finance such a system. The bill which you introduced jointly with Senator Mansfield might very well answer this problem.

I will be following its progress with interest.

Sincerely yours,

UNDERWOOD & LYNCH,
By WYNN UNDERWOOD.

VILLAGE OF ALBURG, VT.

Senator GEORGE D. AIKEN,
U.S. Senate Offices,
Washington, D.C.

DEAR SENATOR: We, the trustees of Alburg village, are watching with great interest the progress of your bill for relief of drought-stricken areas in Vermont.

As we ourselves have a water problem, we realize how very much such action is needed. Therefore, we are 100 percent in favor of the bill.

Very truly yours,

EUGENIE C. MARTIN, *Clerk.*

For the trustees:

PHILLIP DULUDE.
HUBERT POQUETTE.
STANLEY MITCHELL.
FRANCIS WAITE.
JAMES CLELAND.

NORTH HERO, VT., *May 3, 1965.*

Senator GEORGE D. AIKEN,
Washington, D.C.

DEAR SENATOR AIKEN: Some time ago I read the in press that you had introduced a bill in Congress whereby communities in the State could take advantage of Federal and State aid to establish water systems in rural communities that needed such systems. As I understood the bill, the Federal Government would pay 50 percent, the State 25 percent, and the community 25 percent of the cost of installation. Am I correct in these statements? If that is true, will you please inform me as to the status of that particular bill at this time?

We, in the community of North Hero village have decided that we would establish a water system in this part of the town. It has become a necessity, inasmuch as we feel that our drinking water is no longer pure, and with a system we could purify the water in some manner. This is right in the center of town, and about 20 families would be affected. We have several other reasons, too, for establishing a central water system.

I do not think it necessary for me to go into details now, as you are far too busy to listen to us at the present moment. However, our first step is to acquaint ourselves with the status of your bill which I have mentioned, and if it will be possible for use to get any help financially along this line.

Therefore, will you please write me any information that you may have to give me at your earliest possible moment?

Thank you, in advance, for any information that you may have. You do not know just how anxious we are to get this underway soon. Again I thank you.

Yours truly,

Mrs. GENIA M. WAY.

COLCHESTER, VT., *May 20, 1965.*

Hon. GEORGE D. AIKEN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR AIKEN: I am writing you in my capacity as chairman of the Prudential Committee of Colchester Fire District No. 2 which encompasses the so-called Malletts Bay area.

Our district has a desperate water situation and we have been working for upward of 5 years to find a solution. Last September we obtained a \$21,000 advance for planning from the Housing and Home Finance Agency. With these funds we retained the Boston engineering firm of Whitman & Howard, Inc., to design a 9-mile water distribution system for us. This work was completed in January 1965. The estimated contracting cost is \$360,000.

It had been our hope to obtain a grant under the accelerated public works program with which to finance this construction project. The appropriate form was filed during the period that the Burlington area qualified because of its high rate of unemployment. However no APW funds were available during this period and we understand that we are no longer eligible because the area has since been declassified.

We understand that you have submitted a bill to the Senate which would provide relief to municipal corporations of less than 5,000 persons which are in the predicament with which we are confronted. We are writing this letter to add our unqualified support to this bill.

Our district is desperately short of potable water. The inhabitants have had to resort to all sorts of measures to alleviate this situation. This includes drinking cistern water and hauling water. The elementary schools in the district are similarly handicapped. The normal type shallow well is of little value because the resulting water is generally not potable.

Our district is adjacent to the city of Burlington. Our great amount of undeveloped land is the logical area for growth from the city where residential land is almost entirely gone. However the water shortage has prevented this expansion. So bad is our problem that the FHA no longer will approve new home construction in the district. The effect of this ruling on an area of modest means is obvious. Several developers are interested in the area but only if the water problem can be solved.

Our backs are against the wall. With water our district will enjoy an unprecedented growth. Without water it will languish. We plan to vote on a \$360,000 bond issue but this is done in desperation. We have been advised that with the present number of guaranteed takers, our chances of being able to market this much in bonds are practically nonexistent. We are confident that we could guarantee enough immediate takers to finance approximately one-half of the \$360,000 project. We are proceeding with the vote on the project in hope that somehow matching or nearly matching funds will become available.

I am sure that our predicament is not unique. We know that our district will grow and prosper with water but we lack the resources to construct a water distribution system without governmental assistance.

Whatever you can do to help our district and other similarly situated small municipal corporations would certainly be of inestimable assistance.

Sincerely yours,

C. J. QUINN,
Chairman, Prudential Committee,
Colchester Fire District, No. 2.

NORTHFIELD, VT., May 17, 1965.

HON. GEORGE D. AIKEN,
U.S. Senate,
Washington, D.C.

DEAR SIR: Enclosed you will find copies of a petition, letters and a map of the community of South Northfield, Vt.

The spring-fed water supply of South Northfield has been inadequate or nil for many years. After a petition was signed by 100 percent of the residents a study was made. The enclosed letters show the results.

Listed below and on enclosed map are facts which may give you some idea of our problem.

South Northfield is an unincorporated village within the town of Northfield, located on route 12 approximately 2 miles south of the incorporated village of Northfield. Northfield, Inc., village owns the water system. The town of Northfield has a population of 4,511.

Problems concerning water situation:

1. No dependable water supply.
2. No fire protection.
3. No sewerage system (septic tanks).
4. A definite health hazard.
5. Septic tanks and individual drilled wells on small pieces of property are too near each other.
6. Children attending school where well and septic tanks are near each other had three cases of hepatitis in 1963.
7. Old folks home had to carry water. (A very efficient operator is severely handicapped with this condition.)

8. A drilled well at the Goodrich Dairy Farm did not produce an adequate water supply.

9. Thus a drilled well as suggested probably would not give needed supply. We do not have qualified people to build and maintain such a system in the South Northfield area.

10. A high percentage are retired people. They would find this initial cost prohibitive.

11. Due to Norwich University and its expansion program, it seems certain that the trend now taking place in building will continue in this direction. It is possible for 50 or more homes to be built in this area.

We hope your rural water program proposal will be met with favor by the Congress because it will greatly assist communities such as ours. Without the help, as included in your proposal, we cannot look forward to any solution to our problem.

We will appreciate any information concerning the progress of this bill.

Very truly yours,

Mrs. JAMES G. KEMPTON.

To the Town Manager and Selectmen of Northfield, Vt.:

We, the undersigned are interested in such information as feasibility and approximate cost concerning the extension of village water to South Northfield.

Signatures: Twenty people signed this in August 1964.

STATE OF VERMONT,
DEPARTMENT OF WATER RESOURCES,
Montpelier, May 10, 1965.

Re water supply, South Northfield area.

Mrs. JAMES G. KEMPTON,
Northfield, Vt.

DEAR MRS. KEMPTON: This will confirm your recent telephone call regarding water supply and sewage treatment in South Northfield village.

Be advised that H. 175, a State bill suggesting 25 percent aid to communities for water supply improvement, has been introduced in the house of representatives. If this bill is passed and signed by the Governor, grants may become available to communities such as yours.

Senator Aiken has introduced legislation in Congress which, if passed, might provide for grants on water supply construction amounting to 50 percent of the cost. This bill is certainly worthy of attention, and Northfield would be advised by this office should any money become available from this source.

Enclosed for your information is a final classification order regarding the Winooski River which includes the Dog River drainage area. Please observe note No. 3 on page 3 of the schedule which is attached to the main document. South Northfield presently falls in the category of rural pollution.

If the aforementioned legislation or any portion thereof is enacted, Northfield might find it economical to construct an extension of the village water supply system to serve the south village area by a modern water system.

Sincerely,

A. WILLIAM ALBERT,
Director, Water Supply and Pollution Control.
By REGINALD A. LAROSA,
Sanitary Engineer.

South Northfield contains:

20 residences

91 people

1 restaurant

1 school

1 church

1 grocery store

1 mill (cider and wood products)

2 dairy farms

1 old folks home

7 families retired

10 employed

3 self-employed (net salary \$3,000)

3 artesian wells

FIFIELD, WIS., *February 4, 1965.*

DEAR SENATOR AIKEN: I have just finished reading about your bill to bring water systems to the hundreds of small rural towns in our great United States, through expansion of the Rural Electrification Act of which I heartily approve and wish you luck.

This is a subject of great interest to me as Fifield is a small town of about 300 people, where water has long been a problem. Most of the wells here are shallow, from 40 to 45 feet deep, which is about the limit for most well drillers here as the town lays on bedrock and they do not have the costly diamond drilling equipment that is necessary to go through; so, as a result, last year being a dry year for us, there were 25 dry wells here in town.

In 1963 our town board had a preliminary survey made in the hopes of applying for a Federal grant, but it proved to be too costly for the families involved as it would mean mortgaging homes and the like; our incomes here are low—in the \$2,000- to \$2,500-a-year bracket—and they just could not see their way through, so the project was dropped for the present time.

I want to express my appreciation to you for your concern and interest you have shown in rural America in the past, and for the many bills you have brought about to make rural America a much better and healthier place to live.

I would appreciate hearing from you on the final outcome of the bill and will urge our Senators from Wisconsin to support you in your efforts.

Sincerely yours,

REIDAR ANDERSEN.

WAGONER, OKLA., May 10, 1965.

Senator GEORGE D. AIKEN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR AIKEN: Would you please send me a copy of S. 1766. There is no doubt that this will be a revolutionary program for the rural area of these United States.

Very truly yours,

BOB JEFFREY.

BOB JEFFREY Co., INC.

HANOVER, N.H., January 18, 1965.

Senator GEORGE AIKEN,
Senate Office Building,
Washington, D.C.

DEAR SENATOR AIKEN: It was with great interest that I read in my hometown newspaper, the Bennington (Vt.) Banner, your proposed program of Federal grants and loans to develop water supply and distribution systems in 15,000 rural communities in the United States.

I, too, am very interested in the water needs throughout the United States. As a matter of fact, some friends and I are planning to study this very problem. I am writing to ask if you could send me a copy of your study upon which you based your proposal. This would be a great help to us in our endeavors.

Thank you very much for your consideration of this request. I am looking forward to hearing from you in the near future.

Sincerely yours,

C. DIXON KUNZELMANN.

CHATHAM, MICH., January 19, 1965.

Senator GEORGE D. AIKEN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR AIKEN: Our village council is very interested in your proposed program for Federal grants and loans to develop water supply and distribution in rural communities.

We are a newly incorporated village with a very serious water problem. We have a population of 275 people. At the present time most of the families are using water from their own or their neighbors' well. A little over 2 years ago our water in the village became contaminated in most all the wells. Many families are now drawing water from the same wells and many have to carry water for drinking and cooking purposes.

The health department is concerned about the present water situation as it contributes to an unhealthy condition. In our State it is not permissible for more than two families to get water from the same well but at present this is impossible to enforce as most people would be completely without water. The

wells from which the people are receiving water are very unstable as at times the water is bacteriologically unsafe and then within a few days it will test safe again as reported by the laboratories of the Michigan Department of Health.

The engineers report indicated the project for community water will cost \$69,000. Our village consists of many elderly people of which about 20 are retired and living on social security payments of the lowest amount. Some of the people of the village who are better off financially are intending to drill their own wells this coming summer if something is not done about a community water supply. This would not solve the problem for the lower income group of which the village is mainly comprised.

There has been the possibility of some industry coming into the village but without water available this is impossible. The few business places, including an old folks home, which we have will be unable to continue unless water is obtained.

We have applied to the Federal Government, through the Housing and Home Finance Agency, for an advance planning loan to test for water which was denied us and also for an APW grant, which was given a number with very little prospect of receiving any financial aid as there seems to be no more money appropriated to this Agency and none in sight. Without some Federal help we are unable to proceed any further than we have, plans on paper.

Could you possibly give us any further information on this subject such as when such moneys would be available if the proposal passes and whether we would be eligible to receive such funds?

We hope this letter will help you in presenting your proposal and help us solve our problem. Thank you for your attention.

Sincerely,

(Mrs.) SHIRLEY LAMMI,
Village Clerk, the Village of Chatham.

BLOOMINGTON, IND.,
January 19, 1965.

Senator GEORGE D. AIKEN,
*Senate Office Building,
Washington, D.C.*

DEAR SENATOR AIKEN: We are not from the same State but both are U.S. citizens. This is to encourage you in your water proposal bill to aid our citizens that stand in urgent need of financial aid to develop water supply and the distribution system in cities, suburban, and rural areas.

Due to the importance and tragic scarcity of a large water supply in many areas of our States our citizens need financial aid to create water supplies to live and prosper.

We all realize without water we perish, or just fade away. With an ample supply of water we have health, sanitation, fire protection, and create prosperity for all citizens.

In this section of Indiana we need money to build filtering plants and build water systems to be able to extend waterlines to our citizens that they may have a good supply of necessary water in their homes, factories, and college here around Bloomington, Ind. Indiana University has 21,000 students.

We sincerely hope that you will have large majority of Congressmen backing you and the bill will be passed in the very near future. Increasing populations take a large supply of water.

Sincerely,

FRED REFFE.

P.S.—We may not get grants, but help through the REMC or some source to be able to get loans for city, suburbs, and rural areas. It's serious today. Water is important.

BOZEMAN, MONT., *February 1, 1965.*

Hon. GEORGE D. AIKEN,
*U.S. Senator,
Senate Office Building,
Washington, D.C.*

DEAR SENATOR AIKEN: I read with great interest your remarks made in introduction to the "Rural Water Act of 1965." I commend you highly for your views and also for the courage to advance them.

Agriculture is not nearly the burden on public funds which most people imagine it to be. As you so accurately pointed out, many of the costs attributed to agriculture should, in fact, be attributed to other offices of the Government.

On behalf of myself and many fellow ranchers from the State of Montana I wish to thank you for your stand on the position of agriculture in our economy.

Very truly yours,

JAMES C. TAYLOR.

AUSTIN, TEX., *February 2, 1965.*

Hon. GEORGE AIKEN,
Senator,
Washington, D.C.

DEAR SENATOR AIKEN: I have just read an article in the National Farmers-Union Washington newsletter which tells of your efforts on behalf of rural communities who lack adequate water supply. I wish to compliment you on your keen perception of rural water needs. I live in an area that has only surface rainwater for both domestic and livestock needs and nothing you could do for us would help us more to achieve an American living standard than a dependable supply of fresh water. We have an adequate supply of water stored behind a series of dams on the Colorado River above Austin, but we lack the finances to pipe it over the area. If the Federal Government would pay say half of the cost as you propose we could probably pay for a distribution system. Our source of water is not to healthy and our wives can't have automatic washers and proper bath facilities. I know our property would certainly go up in value if our families could enjoy the same privileges as are enjoyed by others in more fortunate areas. Thank you a million for your interest and efforts.

This feeling is shared by hundreds of farmers in this area and I could get a petition signed if it would help. A greater degree of economic justice would also help us so we could meet our expenses. With all the help going to so many foreign countries we are glad to have your concern. The fact that you are a Republican makes your concern all the more impressive to us. Keep up the good work and your name will be hailed by many of my neighbors. Thanks and may God bless you even more in the future than he has in the past.

Sincerely,

JOE WISCHKAEMPER.

BOSTON, MASS., *February 24, 1965.*

Congressman ROBERT T. STAFFORD,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN STAFFORD: We were pleased to observe the bill recently introduced to the Senate by Senators Aiken and Mansfield, S. 493, which would assist in the development of water systems for rural areas. In our opinion, the recognition by the Federal Government of the need for adequate rural water supplies is long overdue.

The enactment of this bill and a subsequent grant of funds would permit the construction of a water supply and distribution system for the towns of Addison, Bridport, and Shoreham, Vt. From your extensive personal knowledge of the plight of the people there, you can appreciate the extreme need they have for a water system.

The three towns have formed the Tri-Town Water District No. 1 for the purpose of supplying water to homes and farms in the district. The district has submitted recently an application to the Housing and Home Finance Agency for an advance of funds for preparation of the final construction plans and specifications.

The project which we have recommended and which is contemplated in the application involves construction of a water intake works and pumping facility on the shore of Lake Champlain, in Addison, and a network of water mains to many parts of the three-town area. The initial program would include construction of about 80 miles of 4-inch, 6-inch, 8-inch, and 10-inch water mains and would cost about \$2.3 million. This cost, amortized over 40 years, ordinarily would be proportioned among the users. It is obvious that the cost to the area

farmers in water rates would be excessively high if they had to bear the entire cost. Our estimate of the cost to a farmer with 50 head of cattle would be \$486 per year.

In formulating the preliminary design of the system, we decided to recommend a network of minimum-sized pipes to assure adequate quantities of water to the entire district now and in the immediate future. Reducing the sizes still further, say one pipe size for the 6-inch, 8-inch, and 10-inch pipes, would result in a saving of less than 15 percent of the entire project cost, but would increase yearly operating cost, would require excessively high pressures, and would not guarantee adequate service to many users at times of high demand. The slight saving involved in reducing pipe sizes can be visualized by considering that regardless of the pipe size within the range of our recommendation, the largest portion of the cost represented by excavation, place of pipe, and backfill remains the same. We therefore feel that assistance cannot come in the form of reduced construction costs.

Senate bill 493, if passed, and if matched by supporting legislation by the State of Vermont, will have the effect of preventing economic depressions in many rural areas. A water system constructed with the aid of a grant under the bill will help farmers in the Tri-Town District meet the requirements of the milk ordinance and code of the U.S. Public Health Service, which is to be enforced in Vermont beginning January 1, 1966. If there is no water system available, the dairying industry may be lost to this area.

We will be glad to furnish any additional information you may desire.

Very truly yours,

CAMP, DRESSER & McKEE,
By FRANK L. HEANEY.

Senator AIKEN. There are, I think, four or five other Members of the Senate who wish to submit statements for the record, and they will be given until next week to submit those statements. Governor Rockefeller of New York also plans to submit a statement.

Senator HOLLAND. Without objection that will be done, and the exhibits will be included in the record.

(The statements referred to follow :)

STATEMENT OF HON. CLINTON P. ANDERSON, A U.S. SENATOR FROM THE STATE OF
NEW MEXICO

Mr. Chairman, I appreciate your granting me this opportunity to make a few brief remarks in support of S. 1766, to amend the Farmers Home Administration Act of 1961 to give the Secretary of Agriculture additional insured loan authority and to make grants with respect to water supply and water systems, and community planning in rural areas. This legislation has long been needed by rural communities and farm families. Increasing the insured loan authority for the Farmers Home Administration from \$200 million to \$450 million means we are at last matching a program to fit the need—and the need is great.

The provisions for permitting loans up to \$4 million and of grants up to 40 percent of the cost of development of community water systems when necessary are sound and realistic in terms of the problems facing many rural communities.

This is particularly true in my own State of New Mexico. We not only share the same problem of all other States in having many rural communities in need of water systems, but are also constantly faced with the problem of finding adequate water supplies.

Finding and developing these water supplies is often a very costly operation. This cost alone is often beyond the ability of a small community to finance. Then after supplies are found and developed, these supplies may be far away from the area to be served. The cost of distribution lines is, therefore, very high. The only possible way, then, for many small rural communities to get a water system is to get a grant in addition to the loan.

Raising the loan limit to \$4 million and increasing the size of a community or town eligible to get a loan up to a population of 5,000 is also necessary if this program is to achieve the objectives we demand of it.

I think the \$450 million annual insured loan authorization is the absolute minimum we should set. This increase will not add to the Federal budget because funds will come from private investors and be insured by the Farmers Home Administration.

Years of experience have tested the soundness of the insured loan program in financing the needs of rural America and have clearly proven that rural people are good credit risks.

A recent check by my office revealed that the Farmers Home Administration has insured some \$940 million in loans. Funds for these loans were advanced by some 3,500 banks and other private investors. I am pleased to tell you that losses on this nearly \$1 billion in loans funds are only five one-hundredths of 1 percent. The small loss is more than covered by the insurance fees collected by the agency. The insured loan fund, in fact, shows a surplus of \$15 million.

For this very reason I hope the Bureau of the Budget does not interfere with the allocation of this insured loan authority as it has in some of the other programs. If private and public lenders want to participate in the development and betterment of rural America, then they should be permitted to do so.

STATEMENT OF HON. VANCE HARTKE, A U.S. SENATOR FROM THE STATE OF INDIANA

Mr. Chairman, when Senator Aiken introduced this bill last April I was one of the seven original cosponsors and I am happy to have this opportunity to go on record before this committee in support of S. 1766.

Two years ago, the then Senator Hubert Humphrey and I cosponsored a similar bill because even then it was evident to many of us that tens of thousands of rural communities were in desperate need of community facilities, particularly water systems, if they were to survive and prosper. It seems to us then, as now, that the best possible way to extend needed assistance to these communities was to increase the insured loan authority of the Farmers Home Administration from \$200 to \$450 million.

In many respects, this is a far superior bill. In addition to raising the insured loan authority, it provides for grants when needed by those communities who cannot bear the full cost of a water system; it increases the loan limit from \$1 to \$4 million; and it extends the benefits of this great program to more communities by increasing the unrealistic and arbitrary population qualifications from 2,500 to 5,000.

Mr. Chairman, I speak from personal, firsthand knowledge when I say this program can mean the difference between the life or death of many rural communities.

In Indiana, since 1962, 20 small rural communities have installed community water systems as a result of loan assistance under this program. Within a few more months, 15 more small towns in Indiana will have fresh running water in their homes. In all, more than 45,000 rural people in my State are or will soon be receiving the benefits from this program.

When Farmers Home Administration funds for this program were exhausted a few months ago, it had a backlog of 40 applications for association loans from Indiana communities, totaling around \$7.5 million. How many more applications would have been filed had not the FHA been forced to stop accepting new applications, one can only guess. But from my mail, I should judge that it would be many times that number.

I have personally surveyed most of these Indiana communities which have recently installed water systems and it is absolutely amazing to see the transformation that has taken place. New homes are being built. Small industries have come to these towns. People working in nearby larger cities are coming back to live in their home communities. The towns have a new look and the people have a new spirit.

Mr. Chairman, I can think of no program that is more sorely needed or can do more to revitalize rural areas than this one.

Indiana: Amount insured loans made during 1965 fiscal year through May 31 and estimated value of initial applications on hand as of May 31, 1965

Farmownership and soil and water conservation loans made during the period July 1964–May 31, 1965-----	Amount \$2, 672, 772
Farmownership and soil and water conservation loan applications on hand May 31 which could not be processed because of lack of funds-----	5, 504, 000
Loans to rural groups for water systems and other facilities made during the period July 1964–May 31, 1965-----	892, 000
Applications from loans to rural groups on hand May 31 which could not be processed because of lack of funds-----	7, 500, 000

STATEMENT OF HON. ROBERT F. KENNEDY, A U.S. SENATOR FROM THE STATE
OF NEW YORK

Mr. Chairman, I would like to address a few remarks to the committee concerning S. 1766, a bill to amend the Consolidated Farmers Home Administration Act to aid rural communities in the establishment of water systems.

I have joined my colleague, Senator Aiken, and the many others who are sponsoring this bill to support legislative action to provide relief to rural communities suffering from water problems.

Although the problem of providing adequate water to each home and farm in New York State and the rest of the country is constantly with us, it is even more severe at present. New York State has been suffering from the worst drought in over 30 years. Communities in upstate New York and along the Hudson River and Mohawk River Valleys have seen that existing water systems will not meet their water needs. They have seen individual pumps and wells dry up.

As a result they have had to purchase water, to construct lines to draw water from new sources. Many of these arrangements are temporary by nature and will not meet the needs of these communities over a long period of time. These communities will have to construct permanent water facilities and need assistance in order to do so.

S. 1766 will authorize additional funds to the Farmers Home Administration to assist rural areas build water systems. It increases the funding limitations on particular loans for water systems. The increase of \$250 million will provide funds to begin to meet the backlog of applications for water systems now awaiting action at the Farmers Home Administration.

New York State needs this additional assistance. The rural communities and farmers of New York State cannot meet the demands for water without constructing new water systems. The agricultural revolution by which we have managed to feed our population better with fewer workers depends on our ability to provide capital for activities of this nature. The Farmers Home Administration program will meet this need and provide the water that we require.

I ask that the committee have printed as a part of the record of these hearings a release from the Geological Survey commenting on the drought in the Northeast. It provides information of the extent of the problem that communities in the Northeast are now facing.

I urge that the committee report favorably on S. 1766 so that prompt action may be taken by the Congress to enact this bill as law.

[Geological Survey release, June 8, 1965]

PERSISTENT DROUGHT CONTINUES IN NORTHEAST, GEOLOGICAL SURVEY SAYS

Reports of river runoff and reservoir and ground-water levels for the month of May from Geological Survey's Water Resources Division specialists continue to show record low or below-normal conditions in southern New England, eastern New York State and Pennsylvania, and northern New Jersey, the Department of the Interior reported today.

"Unless summer rainfall is considerably and consistently above normal," said Elwood R. Leeson, the Survey's Assistant Chief, Water Resources Division, Washington, D.C., "levels in wells and streams are likely to drop to alltime lows by October, and many northeastern communities face water rationing, parched lawns, dirty automobiles, bans on swimming, increased water-treatment costs, and perhaps some unusually stagnant streams."

Leeson said that the scattered showers and thundershowers of the first week of June did little more than "wet the dust" as far as their effects on the overall drought situation.

The Geological Survey's May Water Resources Review—a monthly tabulation of the water situation around the Nation—showed that at the end of May New York City's Pepacton and Neversink Reservoirs located in the Catskills in the Delaware River Basin were only 39 percent full, the lowest level reported for this time of the season since the reservoirs began operation in 1955. Normally, they are nearly full or overflowing by June 1.

Reports from the Survey's Water Resources Division specialists in Trenton, N.J., show that the Delaware River at Trenton had an average flow in May of only 5,218 cubic feet per second (3,400 million gallons per day), the lowest May flow since records began there in 1913.

Leeson pointed out that, at Trenton, the deficiency below normal flow in the 7 months since November was 1,200 billion gallons, whereas the accumulated deficiency for the previous 3 years of drought was only 2,200 billion gallons.

"This accumulated deficiency in flow," said Leeson, "is the equivalent of 1¼ years of normal flow in the Delaware River."

Leeson noted that Wanaque Reservoir, the largest in New Jersey, is at record-low level; this in spite of almost continuous pumping this past winter from the nearby Ramapo River, and the shifting of part of Wanaque's customers to another water system.

Newark's Pequannock reservoirs, and those in the Hackensack River Basin are also far below seasonal normal levels. Only Jersey City's Boonton Reservoir, and the new Spruce Run Reservoir, recently completed by the State in the Raritan River Basin, are nearly full.

Another aspect of the water resources situation—ground water (water stored in subsurface rocks)—was noted by Leeson.

"Ground-water levels at the end of May," Leeson said, "were generally below normal in the five-State area from Massachusetts to Pennsylvania. In New York about one-fourth of the wells were at the lowest levels since records began. In Connecticut, of seven wells observed regularly each month by Survey hydrologists, three were at record low levels, and three at second lowest levels. In Pennsylvania, 72 percent of the wells observed monthly were below average levels, including most of the observed wells in the southeastern part of the State."

Scores of communities in the Northeast drought area, including New York City, have begun to limit the use of water. This rationing now is a prudent measure to help avoid serious water shortages during the coming autumn and winter months.

"Stringent rationing can be very effective for cities depending on marginal reservoir supplies such as New York City and many smaller cities in New England," said Leeson, adding that, "for example, New York City reduced the consumption of water in 1950 during a dry period by 20 percent."

The Geological Survey hydrologist terms the outlook for water supplies in the Northeast as "bleak."

"From May to October," Leeson pointed out, "streamflows and ground-water levels normally decline, even with average rainfall and temperatures. Normally, at the end of the growing season—when the water requirements of vegetation drop—ground-water levels begin to rise. However, if the ground freezes before rain-water soaks below the root zone, the ground-water levels and streamflows may remain low until spring. This happened last winter. It could happen again next winter."

"There are some exceptions," Leeson pointed out. "For example, some cities with large reservoir supplies, such as Boston's Quabbin Reservoir, are in good shape. So are the cities that use large rivers for water supply, like Trenton and Philadelphia."

"However," said Leeson, "all in all, taking into consideration the more rapid dropping off of streamflow in recent months, and the fact that neither surface nor ground-water reservoirs recharged to anything near normal levels this winter and spring, we would have to term the current Northeast drought, especially in southeastern New York and northern New Jersey, as definitely greater in both severity and duration than the previous record drought in these areas during 1929-32."

"Perhaps the most widespread problem from the drought," said Leeson, "will be dried-up supplies for farms and country homes that depend on shallow wells. On areas where present ground-water levels are 2 to 4 feet below normal for this time of year, a relatively large part of the normal supply to a shallow well is not available."

STATEMENT OF HON. WINSTON L. PROUTY, A U.S. SENATOR FROM THE STATE OF VERMONT

Mr. Chairman, it is a privilege to be heard today by this distinguished committee on S. 1766 introduced by Senator Aiken. I am glad to have been a cosponsor of it and to add whatever assistance I can to urge this committee to act favorably on it.

There are thousands of rural people in the State I represent and millions throughout rural America whose needs would be overlooked, except for the

initiative taken by my friend and senior colleague from Vermont, Senator Aiken, who has introduced S. 1766.

In this country, none of us would trade the American way of life for any other; but I think it is fair to say that from the standpoint of modern advantages and living conditions, those of us here today are where we can enjoy the best of it.

Some Americans are not.

The larger towns and cities and metropolitan suburbs have clean, fresh water from a dependable community source piped into every house as a matter of course, whatever the season and whatever the weather.

But 30,000 smaller rural communities do not; 6½ million farms and other rural homes do not. It comes as a shocking surprise to many people that some 30 million citizens of the United States are not yet served by modern, 20th-century water system.

For 2 years before coming to Congress it was my privilege to serve as chairman of the Water Conservation Board of the State of Vermont. In that work I became well acquainted with the problems of providing water to the farms and towns of Vermont, which is two-thirds rural in its population. I was impressed with the necessity that in time this must be done, in all parts of the country, for the preservation of a thriving rural economy and society in America.

A very large part of what could be done to provide needed water in rural communities centers in the insured loan program of the Farmers Home Administration.

In Vermont, our dairy and other agricultural industries, and our rural towns are more and more under pressure to find adequate sources of clean, fresh water. Our problems include the difficulty in striking an enduring strain of water in the limestone formations which underlie the State; also, getting cost of construction down within range of feasibility in places where pipe must be laid deep down in rocky terrain, or where the homes and other points served are widely scattered.

New engineering techniques developed and employed by the Farmers Home Administration in rural water development have resulted in cost levels only half as high as those produced by old-fashioned engineering methods.

Grants to assist in unusually difficult situations, as provided in S. 1766, would be well justified; but the Farmers Home program which this bill would strengthen is essentially not a program of huge outlays of public money.

On the contrary, three striking facts about the programs concerned in this hearing are, first, they are based on local initiative in rural areas; second, they employ loans of private money—not Government money—loans which are insured by Farmers Home but which have not incurred any loss to the taxpayer; and third, they result in family and community projects which earn their own way and pay for themselves.

This is the history of Farmers Home Administration-insured loans for farm-ownership, rural water systems, soil conservation associations, recreation areas, grazing ranges, and the other rural family and community enterprises generated by Farmers Home insured credit.

In considering the legislation before us today, we are concerned with the need to accelerate this program because, fine as it is, its volume does not yet come close to keeping pace with the initiative of rural people and the need to encourage and support their self-improvement efforts.

In the past fiscal year, \$200 million worth of insured lending authority was available to the Farmers Home Administration whereas more like \$500 million worth could have been put to good use. There were that many meritorious insured loan applications submitted through the county offices of the Farmers Home Administration throughout the Nation.

The enormous backlog must be carried over into next fiscal year; and at the same time, the development of new worthy applications in the next 12 months is expected to be substantially greater than during the past 12 months.

What reason is there to fulfill only 40 or 50 percent of the need, especially in the face of clear evidence that Farmers Home insured loans are not a hazardous use of public resources; not a drain on the taxpayer's Treasury?

I thank the committee for this opportunity to present to you my hope that S. 1766, raising the insured loan authority of Farmers Home Administration to \$450 million a year, will be favorably reported as introduced. I am happy to support my senior colleague, Senator Aiken, in this effort, just as I was to co-sponsor the bill with him.

STATEMENT OF HON. MILTON R. YOUNG, A U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Mr. Chairman, I would like to take this opportunity to express my wholehearted support for S. 1766, a bill to provide a loan and grant program for the development of central water systems in rural areas and to increase the authority of the Farmers Home Administration to make insured farmownership loans.

As a cosponsor of this legislation and in light of the needs of my State, North Dakota, I am gratified to see action taken on this bill. It will give the Farmers Home Administration the badly needed authority to provide credit assistance to more eligible farmers and will extend one of the most valuable community services—central water service—to more of our rural communities.

North Dakota has the largest percentage of rural population of any State in the Union—64.8 percent by the last census. But, as in all rural areas, North Dakota has experienced a great loss of farmers during the last 30 years. During this period, the number of farms in the State has declined from 85,000 to 49,000.

The declining number of farmers is the result of many forces and pressures, but one of the most common problems facing the young man looking for a start in farming has been the lack of adequate credit with which to purchase a good farming unit. In an effort to fill this need, the farmownership loan program of the Farmers Home Administration has done an outstanding job.

Over 4,600 farmownership loans totaling \$84.5 million have been made in North Dakota alone since the inception of the program in 1938. The assistance extended to these 4,600 farm families has enabled them to remain in agriculture and to build a good life for themselves and their families.

In 1947, a new facet was added to the farmownership loan program of FHA. This is the insured farmownership loan under which private lenders advance funds for the loan and the Government provides insurance of principal and interest payments. Of the \$84.5 million advanced for farmownership loans in North Dakota, \$64.5 have been made under this program.

As good as this program has been, it is not meeting the needs of our State. This failure, Mr. Chairman, is due to the lack of adequate lending authority for the insured loan program. During the fiscal year just ending, there has been a demand for \$28 million in farmownership loans through the Farmers Home Administration in North Dakota. Present limitations have permitted the agency to meet only about one-third of this demand. About 900 applications for loans totaling more than \$19 million could not be processed because of the restrictions of the present lending authority. This situation not only hinders or cripples the operation of the individual farmer, but curtails business activity for a large segment of the rural business community.

The provision of S. 1766 to adjust the Farmers Home Administration's insured lending authority upward from \$200 to \$450 million is a reasonable response to the pressing credit needs of our rural areas. The present curtailment of the program is inexcusable. A factor which cannot be emphasized too strongly is that this program pays its own way and does not represent a cost to the Government.

Another feature of this bill which I would like to discuss has to do with the establishment of rural water systems under Farmers Home Administration programs. Four of these projects have developed in North Dakota and the benefits of extending such developments on a statewide basis can hardly be overstated. The location of adequate water supplies has always been a very pressing problem for North Dakotans and it is a challenge which must be met in connection with the future well-being of the economy and health of the people of our State.

There are a number of problems in establishing these systems in North Dakota which don't appear in many areas of the country. In the first place, good sources of underground water are hard to locate and the cost of bringing in a well adequate to meet a community's need may run very high. Second, the installation of distribution systems in North Dakota requires that pipes be put down below the frost level to avoid freezing—some 7 or more feet. In warmer areas of the country lines can be laid at a depth of 30 inches. This means that it takes longer and costs more to install a water system in North Dakota than in many areas.

These and other special problems of installing community water systems could be overcome if grants and supplemental loans were available where justified in the public interest. Provision is made for this in S. 1766 and I commend this feature of the bill as one which would benefit the country far beyond the cost of the program.

Mr. Chairman, the Farmers Home Administration has clearly demonstrated its capability to do a job. This agency is presently filling a most valuable role in our agricultural economy. With the new authority provided under this bill, I have every confidence that this role can be handled even more effectively.

I want to take this opportunity to join my colleague, the senior Senator from Vermont, in urging prompt and favorable action on S. 1766.

ALBANY, N.Y., June 21, 1965.

HON. ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry, Senate Office Building, Washington, D.C.:

This is in reference to S. 1766, which recognizes an important rural need by authorizing loans and grants for rural water supply planning and development and which is before your committee. Adequate supplies of good water are indispensable to growth and development, and water resources have high priority in New York. Recently our legislature unanimously adopted our pure waters program, including a billion dollar State bond issue to help build local sewage treatment facilities, to end water pollution in New York. We have called upon the Federal Government for action to encourage such State programs in the field of water pollution.

The current severe drought in the Northeast emphasizes the need for action such as S. 1766 and New York's pure waters program.

NELSON A. ROCKEFELLER.

* * * * *

(Proceedings at 11:30 a.m. follow:)

Senator AIKEN. Mr. Chairman, let me say that Governor Hoff knows the water situation in Vermont. The situation that prevails there prevails over most of the United States today and, therefore, what he says, I feel, will be equally applicable to most of the country. I would ask that his testimony relative to S. 1766 be printed separately from the testimony on the price support program.

The CHAIRMAN. I was about to order the reporter to do just that, and say that we will now proceed with Gov. Philip Hoff as the witness.

Senator AIKEN. I would like to have appear at this point the statement by Mr. Patton of the Farmers Union this morning.

The CHAIRMAN. All right.

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION

Mr. PATTON. Farmers Union supports S. 1766 introduced by Senator Aiken and 92 cosponsors which amends the Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

STATEMENT OF HON. PHILIP H. HOFF, GOVERNOR OF THE STATE OF VERMONT

Governor HOFF. Mr. Chairman, I have before you a statement which I will not bother you in terms of reading. It is about six or seven pages worth and then supporting data in addition.

I would like to make a few remarks with respect to what I think is the importance of this bill, and it is tremendously important to Vermont and I sincerely believe tremendously important to rural America.

I would like to compare it, if I could, to REA. It seems to me that when REA came in it was the basic factor in the rejuvenation and the salvation really of rural America; it certainly was for the State of Vermont, and without it all sorts of farms would have gone out of business, and rural Vermont would have virtually or literally disappeared from the face of America.

We have a rather curious situation in Vermont at the present time. But I don't think it really goes to the core of this particular problem. Our rainfall has been off about 20 percent for each of the past 2 years and it is off substantially more than that in this given year and it has created great problems for us.

I hope they are cyclical. Certainly history would seem to indicate it is cyclical. But by the same token it has tended to aggravate a situation which was a problem even before that although people had ignored it either through inability to do anything about it and this is the basic problem—just failing to have recognized it.

I think perhaps I could give you an example of this in terms of what happened in a county called Addison. Addison County is our second biggest milk producing county. It shows signs of perhaps outproducing the one county before it.

But 2 years ago, at the time of the late President Kennedy's death, as a matter of fact, so that we are talking about action on the part of two Presidents, the situation became so critical down there that I called President Kennedy to ask for some emergency relief, and he sent up Mr. McDermott whom you perhaps recall who was head of ODP and he came to Vermont and he recognized the problem in this county and it touched adjoining counties as well.

We finally ended up by hauling water to farmers and communities in that area and it was the greatest "jerry" built operation you ever saw but I was extremely proud of the people involved because we literally saved hundreds of farmers from going out of business and there is not any question but what they would have gone out of business without it.

Three communities in that area from that point forward began to give some thought to a central water system, and they received a grant from the Federal Government. The cost, however, was just almost out of sight, as it is for almost any rural area in America. For them it is just out of the question in terms of their ability to support this kind of a program on the basis of local revenues. We have looked at it very carefully in the State. We have managed to get through

a couple of programs which would support technical people to help various communities study these programs. I have listed those number of communities which have been giving detailed attention to this problem.

In their particular case the cost, let me see if I can find it here, is about \$2½ million for some 3,000 people and I think you can see just on the surface of it you just couldn't begin to handle the job. It is for this reason that I shall strongly support the bill and I don't want you to think for a minute that at the State level we are not willing to help either because we are, and I have presently before the legislature which is really an adjunct of what I hopefully feel will be the ultimate passage of this bill under which the State would contribute to the total costs, too, and we can then get it down to a level where the local taxpayers can actually afford a central water system.

In my judgment, with the lowering of the water tables and with the increased consumption which has just grown by leaps and bounds just as it has in the fields of electricity, but in adding the two together it seems to me this is going to be an aggravated problem; it must be an aggravated problem throughout the rest of the United States.

In Vermont we have always been very proud of being able to do for ourselves but there comes a point where it is just impossible, and our local people and farmers, I am not a farmer myself, but I am just such a great believer in these people because they have done almost impossible things and in the face of real adversity and most of our farmers are just on the razor-thin edge today. We just cannot call upon them, our rural communities, to do any more than they are presently doing, and this program would be of immense help.

Too, if we look ahead into the future, it offers great opportunity. Vermont as you probably know lives on the edge of a megalopolis, but we are beginning to see the signs that Vermont is gradually becoming one large suburbia. I think this is good. I think it has been very good economically for Vermont. We for the most part are doing very good economically at the moment but by the same token we find we cannot attract people where they can commute, a college professor or what have you, unless we can provide them with the normal convenience that we can get in our urban areas as well.

But they will come, we know they will come, if we can supply these conveniences and, of course, this is a matter of philosophy. I suppose there are some who probably feel the huge growth of our urban areas with people being piled on top of people is a good thing. I personally don't and I would like to see us spread out more. I think we should, and here is an opportunity for people to spread out in Vermont.

But again here in the area of water we just have a critical shortage, and a critical situation particularly in terms of central water supply which would be of immense help.

The CHAIRMAN. How do the farmers in your area get water, wells, depending entirely—

Governor HOFF. Well, it varies depending on the area, springs, wells, but in Addison County they use ponds.

What has happened in the past prior to the advent of winter, the water level has come up, the ponds have been filled and they have been able to get through the winter, coupled with a thaw. But in the

past few years the water table has lowered so much that this just has not come into being.

The CHAIRMAN. When Senator Aiken introduced this bill I told him that in my parish, county to you, we have a central water system that we ourselves established, and water comes from Houma, the city, and it is sent all over the parish through a system of pipes constructed with funds provided by the local people themselves.

Governor HOFF. Well, of course, I don't know your particular situation, Senator, but the cost for our people, and I remind you that 55 percent of the people who live in the areas where this is so badly needed have incomes ranging from nothing to \$4,000, and the cost in our area of the country, I know it is a little difficult to compare Vermont with some other areas of the country, don't forget we have very severe winters, too, and this must be protected against, is just out of sight in terms of their doing it themselves. They are willing to do what they can; we always have in Vermont. But I think this program would give them the——

The CHAIRMAN. As I understand the proposal, it would be a cooperative effort.

Senator AIKEN. Among the three towns.

Governor HOFF. That is correct.

The CHAIRMAN. Among the towns, the Federal Government and the State.

Governor HOFF. This is correct. This is 75 miles of piping with 3,000 people.

Senator AIKEN. I am very familiar with the three towns; they are three of the best agricultural towns in the Northeast. They are also a few miles from a college town, and a town where a new industry employing 400 or 500 people is being installed to start business this fall.

These towns are not only fine agricultural towns but the villages are splendid residential areas and people would be moving in there immediately if they had water. The Federal Government, as you recall, contributed \$128,000 a year for hauling water, paid the National Guard for hauling water so these dairymen could keep in business. Now about 50 dairymen have been threatened with the loss of the market. There is a little too much sulfur in what water they do have, and they are very short all around.

I have got letters from all over the United States setting out similar conditions where rural towns and communities would expand very much provided they could get water. But in this particular case, I think it would cost them about \$20 a month for water and there are not enough of them who could pay that price.

Governor HOFF. I have been over this area myself intimately, too. I can well recall during that period of time I talked to a farmer who had drilled 400 feet and got a cupful of water.

Senator AIKEN. It is a heavy clay soil there and it doesn't make any difference how far down they go they don't get any water and if they get the water they are not permitted to use it. It is not recommended that they use it for livestock. They can use it for the people, and they live to be anywhere from 90 to 110 years in that county and have been drinking that water all the time.

But the Surgeon General and the Boston health authorities frown on its use for cows.

Governor HOFF. In short, what we are doing is treating our cows better than we do our people.

Senator AIKEN. Much stricter.

The CHAIRMAN. I guess you get it anyhow through the milk you drink.

All right.

Governor HOFF. Thank you very much. I would like to add one other remark if I could. I know under the omnibus bill there has been some talk of extending that to rural areas, too. We don't think it is applicable to rural America. I am sure it is fine for suburban areas and urban areas but it is not particularly applicable to rural areas particularly that part that calls for extensive planning and so forth and I might add we would like to have such program administered by an administration geared to a rural economy.

The CHAIRMAN. All right.

Thank you very much, Governor, we are glad to have your statement.

(Governor Hoff's prepared statement follows:)

Mr. Chairman, it is a distinct honor for me to join with the primary sponsor of this bill, the Honorable George D. Aiken, senior U.S. Senator of Vermont, in presenting to you the reasons we in rural America urgently need Senate bill 1766.

The urgent need of all Americans for pure water cannot be overemphasized. Within the past few years, per capita daily consumption has increased from 50 to 145 gallons. This increased demand is by no means limited to urban America.

New Yorker magazine cartoons to the contrary, our rural Americans, including or perhaps especially Vermonters, enjoy the privileges of interior plumbing, the stimulus of a daily shower, the release from drudgery via automatic home laundries, the increase in beautification of our homes through careful watering of our lawns and gardens. The demand is not based on created desire for greater convenience; it is based upon the necessity for adequate health, safety, and sanitary requirements.

I need not remind this Senate of the farm to city movement. Nor do I need dwell on the facts of population movement within our farm areas; we have seen the family farm diminish; the remote farmer move to the village; the village dweller move to the town; the farm laborer no longer resident in the "tenant house" but residing now in the nearest large community. The abandoned farm well which slaked the thirst of many now serves no one.

A few decades ago, these population movements created justifiable concern for the problems of our cities and larger communities. Nor have the urban problems been fully overcome. Parenthetically, I note with interest and I applaud the efforts for adequate water supply being made for urban and suburban America in the omnibus Housing and Urban Development Act (H.R. 7984). I trust that this Congress will pass that bill and provide for adequate appropriations to bring its fine intentions to early success. I know that amendments to that bill have been offered which if approved will permit more of rural America to benefit. I do not believe, however, that the genuine needs of our sparsely settled areas will be met as well through that mechanism as through the Rural Water Supply Act.

That movement, I spoke of, to the rural community from the farms, has gained less attention. Also unnoticed is the movement of just the past few years when more retired persons sought the refuge of our peaceful villages; when the college professors discovered that they could continue to teach at the now enlarged institutions of higher education and they could also have the benefits of living outside the urban sprawl. Top management and middle management industry leaders have rediscovered the charm of the countryside. Percentage increase in demand for needed services in the small communities stagger the imagination. Unlike urban America, the tax base did not increase proportionately. Yet these demands must be met—for small in numbers though they be, these are people in need.

Today, according to a report of the U.S. Department of Agriculture, entitled "Needs for Rural Living," dated June 12, 1964, over 15,000 communities in our rural areas do not have an adequate community water system. In some of our States less than half of the rural homes have running water. In many of our States there is a total lack of a suitable source of water to meet minimum health, fire protection, and other requirements. This need is equally well documented in the 1963 Inventory of Municipal Water Facilities, a cooperative State-Federal report, issued by the U.S. Department of Health, Education, and Welfare. Although restricted to the New England States, I am sure that the need of rural America exemplified in that report can be repeated time and time again.

Over 30 years ago, Mr. Chairman, a spirited battle came to successful culmination with the emergence of the Rural Electrification Administration. In the intervening years, rural America has been served with that wonderful addition to the working farm and the rural home, electric power. No one can doubt the vast benefits electricity brought to agriculture and to human welfare.

The problems of electricity and water are not so isolated as might appear. The cost problems are very similar. Once the source has been determined, the major cost items are in the installation of conduit lines and continuing transmission costs. In the case of water, when population density is low, the unit cost to serve an individual rural consumer is estimated to be 300 or 400 percent the cost to serve that same consumer in an urban or suburban complex.

Permit me to cite with some detail a case in point. In 1963, shortly before the tragic death of President Kennedy, I discussed with him the drought disaster which had afflicted Addison County in Vermont. The President immediately dispatched Edward A. McDermott, his Director of Emergency Planning. We toured the area by plane and by foot. The severe drought, which continues to this day, had dried up farm ponds; made unusable the few streams which meander through the countryside; caused once productive wells to be mere empty holes in the ground. Over 2,000 people were reduced to collecting drinking water by the ancient system of cisterns—which is nothing more or less than capturing rain water from the rooftops, permitting it to flow down roof gutters to a large hole in the ground—where with dirt, bird droppings, leaves, and miscellaneous litter it is stored for human consumption. Over 12,000 dairy cattle were becoming unproductive and the entire farm economy, the mainstay of the area, was on the verge of collapse. A plan of action was agreed upon. Some sources tell me that one of the first official actions of President Johnson was his approval of the project.

Operation Waterwagon, which we called the project, brought emergency effort from all State and Federal agencies. We used State police, National Guardsmen, prison inmates, county extension agents, and all available personnel. We brought in water by means of miles-long temporary piping, tank trucks, and in some cases, maple sap gathering tanks. We saved the cows; freshened the water supplies of the communities; and spent over \$118,000 in the process. That was in 1963.

In 1964 we met a similar problem with a modified project and between October 23 and December 14, finishing in subzero weather, we pumped more than 20 million gallons of water.

In 1965, with a continuing lack of rainfall, we face the reality that drought conditions must again be met.

During this time, the people of Addison County and particularly the towns of Addison, Bridport, and Shoreham, have not taken Horace Greeley's advice to go west. But there has been some human attrition. As Father Wysolmerski, of St. Bernadette's Rectory, told me, of 15 weddings he performed, only 1 couple remained in the community—the other young people moving to nearby larger towns which had water.

Most of the residents stood firm and joined forces to seek a permanent solution. On October 22, 1963, they applied for engineering assistance from the Community Facilities Administration; in November 1963 they received approval; by January 1964 they asked for approval under the Accelerated Public Works Act. I believe we all know that programs under that act have been curtailed—and I will not comment now on the seriously adverse effect the untimely demise of assistance under that act has been to Vermont.

Parenthetically, over 111 towns, villages, and fire-problem districts have indicated interest in receiving assistance on their water to our very active and efficient Federal community development officer, James Wood. A summary of his recent work is attached hereto (exhibit A).

Returning to my case history, Mr. Chairman, having the Addison case well in mind, in early 1964 I caused introduction of a bill calling for State engineering and consultation on water problems. Within a 12-month period 28 communities participated (Addison, Bridport, Shoreham being among the first). As of now, 20 communities are prepared to move when and if adequate financing is available. I attach a summary of these efforts for review by this committee (exhibit B).

By now the permanent remedy for drought-stricken and perennially water-shy Addison-Bridport-Shoreham was well known. To serve the minimum needs of today and tomorrow, we would need to run about 75 miles of water mains to serve only 3,000 individuals. The costs are phenomenal; \$2,600,000—and this with no increased tax base to rely upon. The community leaders are convinced they can fund 50 percent of the costs—although the user costs even then will be high. It is impossible for them to do more. Recent statistics show there are 20,000 people in Addison County, 2,000 now live in the tritown area, 55.7 percent are within an income range of \$0 to \$3,999. Need I say more?

Mr. Chairman, this case history is not unique. The General Assembly of the State of Vermont by joint resolution has asked the Congress to recognize this (exhibit C). We recently surveyed our communities on their water needs. Almost two-thirds have no central water supply system; over half of those which do, have systems which are now inadequate (exhibit D).

The case history is not yet over. The Vermont General Assembly is still considering a bill I introduced this year calling for the State to participate in funding community water systems on a pilot program basis. I sincerely hope that bill will pass; and I trust that the pending U.S. Senate bill will pass.

We ask for passage of this bill not only for the people affected by our agricultural economy. We in Vermont are now experiencing the first pinches of the population squeeze as the sprawling megapolis edges northward from the eastern seaboard of the United States and southward from the Canadian complex of Montreal, Quebec. We in Vermont are enjoying industrial expansion to an extent undreamed of 3 years ago. We are welcoming more and more city folk to our recreational complexes; and we look forward to continuing growth of our fine colleges and universities. For many, Vermont is the preferred home of the two-home family where New York or Washington is home for the short work-week, Vermont is home for weekends.

We are sure that the "back forty" of our hill farms may yet be used for something other than forest—and with water equitably provided for, all rural America can, as Senator Aiken has well said, "maintain a healthy national growth and prevent the undesirable features of congested human existence from getting worse."

I respectfully submit that the loan-grant program envisioned by this bill will do the job. I understand that the Farmers Home Administration has a general increased insured loan authority already passed by the House but still in committee in the Senate. While this development would be of some assistance, the cry of thirst must be met now, with the resources at hand. The growth rural America has every right to expect cannot be funded—even with a generous loan program—with today's or even tomorrow's tax base. A grant program such as set forth in this bill is a must.

Mr. Chairman, I sincerely suggest that the needs of America will be met by Senator Aiken's bill, S. 1766. Thank you.

(The exhibits attached to Governor Hoff's statement are as follows:)

(NOTE.—Exhibit A, listing 109 towns, villages, and fire problem districts expressing interest in receiving assistance on water from the Federal Community Facilities Administration, is on file with the committee.)

EXHIBIT B

MONTPELIER, VT., DEPARTMENT OF WATER RESOURCES

Following is a list of communities which have been assisted by this Department in matters of water supply.

(a) Communities which have had discussion or correspondence with this office regarding water supply.

1. Barre City
2. Charlotte
3. Chester Village
4. Huntington Center

5. Middletown Springs
6. Putney
7. Randolph Center
8. Sharon
9. Stowe Village
10. Thetford Hill
11. Williamstown
12. Washington

(b) Communities for which preliminary engineering reports have been completed and approved.

13. Addison, Bridport and Shoreham (Tri-Town District)
14. Bennington Village
15. Castleton
16. Derby Center
17. Essex Town
18. Irasburg
19. Manchester Town
20. Northfield (distribution extension)
21. North Hartland
22. Springfield
23. Rutland
24. Vergennes

(c) Communities for which construction plans and specifications have been completed and approved.

25. Alburg (distribution)
26. Colchester (F.D. No. 2) (distribution)
27. Essex Junction
28. Rutland Town (F.D. No. 1)

(NOTE.—See page 15 for Exhibit C, a joint resolution adopted by the Legislature of the State of Vermont.)

EXHIBIT D

RURAL COMMUNITY DEVELOPMENT SURVEY

1. Communities contacted_____	306
2. Communities responding_____	284
3. Communities with water systems_____	92
4. Communities in (3) with adequate systems_____	56
5. Communities in (3) with inadequate systems_____	36
6. Communities without water systems_____	192
7. Communities in (6) large enough to warrant new systems_____	55

(NOTE.—The listing of the communities mentioned above is on file with the committee.)

(Whereupon, at 12 noon, the committee recessed to proceed to other business.)

* * * * *

(Proceedings at 4:25 p.m. continue as follows:)

Senator HOLLAND. The comments that I would make have to do solely with the restated provisions of the earlier bill which I think was H.R. 5075 on which the hearings are already completed by one of the subcommittees of this committee. The raising of the limit of insurance loans in any one year from \$200 million to \$450 million it seemed to some members of that subcommittee was a very large and precipitate increase of the limitation on insured loans even for this worthy purpose.

Do you have any comment to make on that?

Senator AIKEN. As I understand it, application is pending now with the Farmers Home Administration so that if a reasonable proportion of them were granted, that that additional amount would be pretty well used up. I would say that they would probably need all of that. I am sure Mr. Bertsch can answer that question with greater

accuracy than I can. But when I think of the billions of dollars that we are asked to appropriate for other purposes, it seems to me that it is not too large.

Further than that, it is insurance. It gives them the authority to insure loans made by banks and other lending agencies, and they get a substantial income from these insurance charges, enough so that they are asking now for authority to lend up to \$50 million from the insurance moneys which have been accumulated on this guarantee of loans.

Senator HOLLAND. I notice that this legislation also includes the provision that would raise the present limit under existing law of \$500,000 on direct loans and \$1 million limit on insured loans to any association up to a \$4 million limit on loans and grants to any association.

Senator AIKEN. That is true. If we inquire of Senator Anderson of New Mexico, we will find that in his State there is one critical situation which could not be met with a \$500,000 loan. I know there is one in my State which probably could not be met with a \$500,000 loan, and I am satisfied there are other areas.

You see, we are raising the size of the community which can be serviced in this way from 2,500 to 5,000, and I have already had some complaints that 5,000 is not high enough.

For instance, one of our New York friends said he has a community of 5,500 people and he thought that the 5,000 should be used as a guideline rather than a hard and fixed number. That is something which the committee will undoubtedly consider.

Senator HOLLAND. What is the limit, the lower limit applicable to the Community Facilities Administration on its loans and grants?

Senator AIKEN. I do not know. I am not sure whether there is any limit or not, because they deal largely with the cities and the larger towns.

Senator HOLLAND. I wonder if counsel for the committee would have that.

Senator AIKEN. Would Mr. Bertsch and his associates come up here? They could answer these questions better than I can.

Senator HOLLAND. Mr. Bertsch has already appeared before our subcommittee. I do not care to have him appear at this time because this is a duplication of the hearing that we have already had in the subcommittee. If we can find from counsel what the limit is, the minimum limit.

Mr. STANTON. On community facilities, Senator, I do not know. I will have to take a look at that.

Senator HOLLAND. Will you supply that for the record?

(The information referred to follows:)

Title II of the Housing Amendments of 1955 (42 U.S.C. 1491 et seq.) authorizes the Housing and Home Finance Administrator to make loans to municipalities and other local public agencies to finance needed public works. There is no statutory limit on the amount which may be loaned to a single borrower. Section 202(b)(2) authorizes postponement of the payment of interest on not more than 50 percent of the loan where such assistance does not exceed 50 percent of the development cost of the project and certain other conditions exist.

Section 202(e) as added in 1962 by sections 5(b) of the Public Works Acceleration Act authorizes the Administrator to make grants to such public agencies to finance up to 50 percent of the construction cost. Such grants could only be made from funds allocated under section 9 of the Public Works Acceleration Act (apparently as incorrect reference to sec. 3 of that act, 42 U.S.C. 2642). Section 3 provided for the allocation of appropriated funds to provide for acceleration

of public works in certain eligible areas. Section 3 provided that notwithstanding the 50 percent limitation, grants of up to 75 percent of the project cost could be made, if the State or local government did not have economic and financial capacity to assume all of the additional financial obligations required. No funds are now available for grants.

There is no lower limit on the size of the public body to which title II loans can be made, but those loans can be made only to public bodies, including unincorporated towns. Preference is given to political bodies having a population of less than 10,000. No loans can be made to any political subdivision having a population of 50,000 or more (150,000 in a community in a redevelopment area or near a research or development installation of the National Aeronautics and Space Administration). The maximum amount of loans outstanding at any time for projects is limited to \$600 million. The last three sentences do not apply to mass transit projects.

Senator HOLLAND. The next point I want to raise is this. There was a feeling on the part of some members of the subcommittee that heard this part of the proposed legislation before—and there was not in that at that time the grant portion which is new in this legislation—that there should be some distribution of the new total amount to be insured annually as among those communities that were really farm communities and where the aid was to farmers, and the very sizable number of such communities, which in no sense are farm communities—as for instance applications in my State are largely from new subdivision communities.

Does the Senator have any views on that?

Senator AIKEN. No; I have not. I know that in my own area that your farming community and your residential village merge, and usually when one prospers, the other does, and they all need water. I think one of these statements which I submitted for the record recommended that no assistance should be given to any community which was within 10 miles of any established private or public water system.

Senator HOLLAND. I do not think that is reasonable.

Senator AIKEN. I do not think that would be reasonable either.

Senator HOLLAND. But I do think that the committee should consider the fact that it would not want this agricultural agency—and that is what FHA is—to be placed in a position where it would be overwhelmed by a disproportionate obligation to insure loans to communities that by no means were farm communities but instead were new subdivisions and retirement communities and the like, rather than farm communities in any sense of the word.

Senator AIKEN. I think that that matter could be handled in the bill itself or in the report on the bill. Of course, it is intended to serve rural areas, and it is a fact that when a rural farming area has lights, water, and other facilities that people do move into it for residential purposes and small industries also move in. I think that is good for the country as a whole.

Senator HOLLAND. I would agree with that, but I would not want the Farmers Home Administration to be placed in the position of becoming primarily, as it would in some areas, the agent for financing the development of water systems for areas that were really retirement areas or new subdivision areas and the like, of which there are very many in our part of the country and I am sure in other parts of the country.

Senator AIKEN. I agree with the Senator on that, but I also would say that I would not want Housing and Home Finance or the Commu-

nity Facilities going out into the strictly rural areas and dealing with problems for which they are not presently equipped anyway.

Senator HOLLAND. I would not either.

Senator AIKEN. I think we have got to realize that we have two problems. We have the urban problem and the rural problem, and I am strongly in favor of handling the rural problems in the way that we think they should be handled, and then the urban problems should be handled in the way best adapted to suit their needs and requirements within our means, of course.

There is a bill in the House, I think, providing for assistance for urban areas which does cover many different types of services and facilities. But I do not believe the word "agriculture" is mentioned in it.

Senator HOLLAND. I think we have two objectives that might be important here.

Senator AIKEN. Yes.

Senator HOLLAND. One is to make sure that there is no overlapping of the agencies.

Senator AIKEN. Yes.

Senator HOLLAND. And second that there is no provision in this law which would permit the Farmers Home Administration to become a major organization for financing public utility facilities for small retirement subdivisions and the new areas that are being settled, particularly in the fast-growing States, because there are literally hundreds of those areas.

Senator AIKEN. Yes.

Senator HOLLAND. I would want to keep this agency primarily for the service of the really rural areas and the really farming population.

Senator AIKEN. I think we can agree on that. But I think we should also realize that when the facilities come into a rural area, that the population does increase, and they will not all be farm people.

Senator HOLLAND. Certainly.

Senator AIKEN. I think that is good, too.

Senator HOLLAND. Certainly. That makes the truly rural area much more attractive to obtain settlers who are not directly related to the farm production.

Senator AIKEN. That is right. I think it is up to us to decide where to draw the line between the rural and urban areas. Maybe Senator Monroney can give us some assistance.

Senator HOLLAND. Senator Monroney wishes to be heard on this. We will be very glad to hear him.

STATEMENT OF HON. A. S. MIKE MONRONEY, A U.S. SENATOR FROM THE STATE OF OKLAHOMA

Senator MONRONEY. Mr. Chairman, first I would like to ask consent of the committee to be listed as cosponsor of this legislation. I thought I had asked my office to notify you.

Senator AIKEN. You are a cosponsor.

Senator MONRONEY. Good. It was not in the printed one I saw.

Senator AIKEN. In fact, you are one of the early ones.

Senator MONRONEY. I think I was left off the printed copy.

Senator HOLLAND. No; your name is on here.

Senator MONRONEY. I must have a different copy. Good.

Senator AIKEN. I want it understood that of the seven Members of the Senate who are not cosponsors, most of them stated they were perfectly in accord with the objectives.

Senator MONRONEY. I wanted to be in there very early because I think you have a very important bill.

Mr. Chairman, the measure which you are considering this afternoon can do much to bring better water supplies to many millions of Americans who now live beyond the reach of city mains. It will be of great benefit to the rural areas of Oklahoma. Every piece of legislation relating to water is of interest to Oklahoma, because Oklahoma is without a doubt one of the most water-conscious and water-rich States in the Nation.

This was not always so. In the past, Oklahoma has had its water problems. Droughts and duststorms have plagued vast sections of the Great Plains, from Texas to Kansas, Colorado, and Nebraska and beyond to the Dakotas, in decades past, but over the years the people of the Plains have learned much about husbandry of water. The disasters of the past need not occur again. The progress of this particular bill proves that they are now on the road to overcoming many of the natural causes of adversity—those resulting from drought and scarcity of water.

In Oklahoma, the tremendous accomplishments we have made in preserving and harnessing our water have laid the basis for continued stability of our agricultural economy.

Agriculture must be saved in this State which has over 860,000 rural people, nearly 100,000 farms and ranches, and accounts for an important quantity of the Nation's food production. Oklahoma ranks 4th in wheat, 10th in cattle.

As we look around the State today we see that a great effort has begun to remake the face of rural Oklahoma, to change the predominating landscape of large areas from brown to green.

Two dozen larger multipurpose lakes have been built, and literally thousands of smaller reservoirs down to the size of ponds, in an effort to catch and conserve water. Over 44 million acres are in soil conservation districts—almost every rural acre in the State. Nowhere could public investment in such projects show a higher justification or richer returns.

But some of the most significant gains have been realized or planned on the basis of Farmers Home Administration-insured loans, using funds put up by private leaders for developments which are organized through local initiative and will pay back the loans from what they earn. These projects draw decisive support but actually absorb no funds from the Government.

As others have told you, the only shortcoming of this insured loan program in Oklahoma is that it no longer can move half as fast as our local people are moving in the development of these sound and urgently needed projects.

Therefore, I thank you for this opportunity to state my wholehearted support of Senate bill 1766 to enlarge the loan insurance authority of the Farmers Home Administration, and otherwise improve the capacity and effectiveness of that agency's insured loan services.

Passage of this bill would be one of the most valuable services we could render in this session of the Congress.

In its struggle against the problem of water supply, Oklahoma's challenge now is to move the water from those reservoirs wherever feasible, and get it to the farms, ranches, and rural towns; or to create rural water distribution systems from other sources wherever necessary.

Thirty-four such community projects have now been developed, put under construction, or approved for financing through the Farmers Home Administration. Twenty-one other projects have been tentatively approved, and some of these would be underway now if it were not for present limitations on the insured lending authority of Farmers Home. Forty-six additional project applications are now being considered; and hundreds of other small towns and nontown rural areas of Oklahoma have shown their interest in mobilizing local forces to duplicate what has been done in the projects already completed.

In other instances, rural water system development in Oklahoma is held back because systems serving several communities from a single source of water available in the area cannot be built, so long as the Farmers Home Administration cannot make a rural water system loan in excess of \$1 million. This obstacle would be removed under S. 1766 by raising the limit to \$4 million.

Fundamental, of course, is family ownership of farms and ranches. Less than half of the \$57 million loaned for farmownership by Farmers Home and its predecessor agencies in Oklahoma during the past 30 years has been direct loan money. Some \$28.7 million of these loans have been made with funds provided by private lenders on an insured basis.

Here again, demand for insured credit through which independent farm and ranch families may better secure their position on the land substantially exceeds the authorization available to the Farmers Home agency.

The development of local recreation centers is another opportunity which goes hand in hand with the development of water reservoirs and water distribution systems throughout our State. Under the provisions contained in S. 1766, progress in developing needed recreation facilities can be speeded up to help meet public demand.

The adjustment upward to \$450 million in Farmers Home Administration's insured lending authority, far from excessive, will help bring the program up to a level of adequacy at this time.

Senator HOLLAND. That limit is an annual limit, is it not?

Senator MONRONEY. Is it an annual limit?

Senator HOLLAND. That is my understanding.

Senator AIKEN. The amounts?

Senator HOLLAND. Yes.

Senator AIKEN. \$25 million?

Senator HOLLAND. No, \$450 million.

Senator MONRONEY. \$450 million.

Senator AIKEN. I understand that it is.

Senator HOLLAND. Let us see the 1961 bill; section 308. It is an annual limit.

Senator MONRONEY. Yes, I should change my statement to read adjustments upward to \$450 million annually in Farmers Home Ad-

ministration's insured lending authority, far from excessive, will help bring the program up to a level of adequacy at this time. The people of Oklahoma will be grateful for the opportunity you can put before them by your favorable action on this bill.

I thank the committee for your courtesy in permitting me to make this statement.

Senator HOLLAND. We are very glad to hear you.

**STATEMENT OF EDWARD D. KILEY, RURAL AREAS DEVELOPMENT
SPECIALIST, NATIONAL RURAL ELECTRIC COOPERATIVE ASSO-
CIATION**

Senator HOLLAND. Let us hear Mr. Edward D. Kiley, rural areas development.

Mr. Kiley, we will be glad to hear you.

Mr. KILEY. Thank you.

Mr. Chairman and gentlemen of the subcommittee, I am Edward W. Kiley, rural areas development specialist of the National Rural Electric Cooperative Association. With me today is Mr. Robert B. Smith, the legislative representative of the organization.

Senator HOLLAND. We are glad to have him.

Mr. KILEY. This is a national service organization for almost 1,000 rural electric systems operating in 46 States, and serving nearly 10 percent of the population of the United States with electric power.

Rural electric systems have consistently supported legislation which would provide adequate water systems throughout rural America. We urged changes in the existing law to remove the present \$1 million ceiling on loans to any one organization, and limit loans only by feasibility with the provisions to allow additions as they become feasible. At this point, I would like to submit for the record resolutions passed at the 1964 and 1965 annual meetings of our association dealing with this subject. At this time I would also like to submit for the record an article which Senator Aiken wrote for our news service release in our statewide paper around the country.

Senator HOLLAND. Without objection it will all be admitted for the record.

(The documents referred to follow:)

**RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION, 23D
ANNUAL MEETING, JANUARY 25-28, 1965**

RURAL WATER SYSTEMS

Whereas the Department of Agriculture through the Farmers Home Administration has in the past 3 years made construction loans to over 300 communities to build public water systems supplying over 100,000 residences with good water; and

Whereas there are still many communities and areas that need and want a public water supply and will make applications for loans to construct same; and

Whereas these loans are now limited to a maximum of \$1 million to any one organization, thus limiting the size of a project so that in many instances it cannot be most economically operated; and

Whereas there is a need to build larger systems in many locations and to expand some already constructed and on which the present maximum loan has been made: Now, therefore, be it

Resolved, That we petition the Congress, the Department of Agriculture, and the Farmers Home Administration to revise the laws and rules as necessary to

remove the limitations on the amount that may be loaned any one organization, and limit loans only by feasibility, with provisions for additional sections when feasible as determined by the Administrator in a manner similar to that now used by REA in making electric and telephone loans.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION, 22D
ANNUAL MEETING, MARCH 9-12, 1964

RURAL COMMUNITY SERVICES, WATER, SEWERS, FIRE PROTECTION

Whereas there are now many rural areas contributing to the economic soundness of our rural electric systems, where the water table is falling fast because of increased concentration of homes and business establishments along paved roads as the exploding population seeks satisfactory living sites, and which concentration using septic disposal fields is also causing contamination of wells and individual water supplies making it impossible for many to secure adequate and potable water, satisfactory sewage disposal, fire protection and other community services; and

Whereas none of the Government programs and agencies have a program that adequately serves these rural areas; and

Whereas the Farmers Home Administration has made a good start on central water systems and is best set up to administer the rural community area needs if their program is expanded and remodeled to meet these needs for loans and guidance in community facilities; Now, therefore, be it

Resolved, That Congress be asked and urged to authorize the Department of Agriculture through the Farmers Home Administration to provide a program and financing for rural central water systems, sewage disposal facilities, fire-fighting and protection units, and other community facilities as the needs develop similar to those now provided incorporated urban groups through other agencies of Government.

WATER: RURAL AMERICA'S GREATEST NEED

(By Senator George D. Aiken)

The greatest domestic problem facing our Nation today is the conservation, purification, and distribution of water.

The great cities of America are apprehensive over their water supplies and are looking anxiously for new sources.

The drought which is now entering its third year in some areas has intensified this anxiety.

While the water situation in the cities is undoubtedly cause for concern, it is in the rural areas that the situation is rapidly approaching a crisis.

It is not that America has a dire shortage of water that is causing alarm.

It is because so much of the water is polluted or is unavailable to those whose means of living and whose destiny depends upon it.

Water usage is showing each year a high per capita increase in consumption and the old sources of supply are unable to meet the increased need.

Adding to our problem is the estimated increase of 100 million in our population over the next 35 years.

Some of this increase will be absorbed by the cities; more will be added to the suburbs where water systems already exist although many are in short supply.

The real opportunity to absorb this huge increase, however, lies in the rural communities and the agricultural areas of the United States.

Thanks to the splendid work of the Rural Electrification Administration most of these communities now have electricity.

They are ready to take on their share of our population except for one damaging handicap.

Over 30,000 of our rural communities lack adequate water systems.

And without water they not only cannot grow and prosper, but most of them are likely to remain dormant or moribund.

Until they can have adequate supplies of pure water they not only cannot absorb people on a residential basis; they cannot even produce the food products necessary to meet the increasing needs of the urban population.

It is already becoming difficult for dairymen in many areas to meet the increased sanitary requirements for milk production because of lack of water.

This situation is forcing thousands of small and medium sized dairy farmers to give up the ghost.

Besides needing water for livestock many rural communities need clean water for food processing, for preparing vegetables for market, for fire protection, for maintaining local industries, and for domestic purposes.

Until this need is met they cannot grow and make their proper contribution to the growth of our country.

Yet it is in this direction we must look if the future requirements of the Nation are to be met.

The disturbing phase of the rural water problem is that in so many communities having great potential for growth the local people are unable by themselves to bear the cost of installing an adequate water system.

They are presently not eligible for Federal grants such as our larger towns and small cities now enjoy.

Because of this handicap, Senator Mansfield and I last January introduced a bill to amend the REA Act to provide for a program for rural water systems with Federal grants under the REA.

This bill encountered trouble not only in Congress but in Administration circles, so on April 13 we reintroduced a modified version of the bill as an amendment to the Consolidated Farmers Home Administration Act of 1961.

The modified bill has proved more acceptable and has now been sponsored by 93 Members of the Senate while several Congressmen have also introduced it in the House.

The national benefits which would result from a rural water system program are difficult to estimate but would certainly be enormous.

There would, of course, be the broadened residential base for our increasing population.

This would result in increased construction of homes, building a new market for appliances and supplies.

It is estimated that the REA program has resulted in adding \$6 billion a year to our national economy.

A rural water program should do as well.

With water available more people would remain on the land, contributing to the Nation's growing food requirements or finding employment in local industries.

Small businesses would find it possible to locate in communities which cannot be considered unless a water supply is available.

This new bill, S. 1766, provides for grants up to \$5 million a year for planning and up to \$25 million a year to aid construction under certain conditions.

The FHA already has authority to make or guarantee loans for rural water systems but cannot presently make any grants for this purpose.

The authority given by S. 1766 would apply only to communities of not over 5,000 population.

No grants could amount to more than 40 percent of the cost of the project, and no grants could be provided unless it appears that the installation of a water system would probably result in an increased growth of the community.

There are no fixed rules relating to the type of the facility.

Water might be obtained from existing natural lakes or streams.

It might come from newly constructed reservoirs which capture the spring rains.

It could come from wells or in some instance from the purification or desalinating of existing sources.

I would not have one believe that the installation of water systems alone would meet the requirements of our rural communities.

Many of them are also in need of waste disposal, fuel lines, recreation facilities and many other items which go to make up a well-rounded community.

However, without electricity and water, further growth is out of the question.

Thanks to the REA we now have the electricity; our next step is to get the water.

Senate bill 1766 and its companion bills in the House will be a long step in this direction.

Mr. KILEY. Statistics show that some 30,000 communities in rural America—towns of 5,000 and under—do not have an adequate water supply. One out of four rural farm homes and one out of five rural

nonfarm homes are without running water; 8.5 million rural families are not connected to central water systems; 6.5 million families have wells as their source of water. The Public Health Service has estimated that 65 percent of these wells show bacteria contamination during various times of the year.

In the annual loan fund survey of our membership this year, we included questions regarding area development needs. Over one-third of the systems reported that water and sewer facilities in their service areas are inadequate; and about 1 out of 10 of these systems reported no water and sewer facilities available whatsoever.

As rural areas development specialist at NRECA, I receive many requests for assistance with varied development projects. By far the most frequent requests I receive are for help in developing water systems.

President Johnson, in his farm message, called for a "parity of opportunity" for rural America. Without adequate water and sewage facilities, rural America will continue to be handicapped as compared with urban America. Rural electric systems, recognizing this, fully support all efforts to close this gap.

Our systems have consistently worked for the development of their communities. Through their efforts in the last 4 years, 135,000 jobs have been created by 1,500 various projects, which represent an investment of over one-half billion dollars, most of which was locally raised funds.

We believe that just as the Rural Electrification Administration, through its assistance and with the efforts of rural people in the past 30 years, electrified rural America, so too in 1965 a similar coordinated all-out effort is required to obtain much needed rural water systems. Enactment of S. 1766 can help attain this goal.

In reviewing the provisions of this bill, we believe that the \$25 million limitation per year for grants is far too low to begin to accomplish the job that must be done. If this program is to move forward and achieve worthwhile results, I am confident larger annual grant authorizations will be required in the years ahead.

Section 2 of the bill, increasing the lending authority of the Farmers Home Administration for water systems from \$200 to \$450 million, is excellent because it demonstrates awareness by Congress that greater efforts in this area are essential. But we believe this amount will not be adequate to do the job.

It is my understanding that while 800 water sytem loans have been made by the Farmers Home Administration, there is now a backlog of 736 applications not yet processed, and 364 applications tentatively approved. These alone total over \$170 million.

It has been our experience that legislation affecting rural areas and particularly legislation for rural water systems programs, have been continually tacked on to urban area bills. This has resulted in various agenices of the Federal Government being assigned bits and pieces of the job of aiding the rural sections of the country. In our opinion, such efforts cannot be successful. We recognize in this legislation an opportunity for the comprehensive effort we seek and are pleased that it will be under the leadership of a rural-oriented agency.

Farmers Home Administration has demonstrated that it can provide the service to do this job, through its 1,600 field offices. The his-

tory of their water system loan program is unexcelled. To date, Farmers Home Administration has loaned over \$100 million and only one loan of \$60,000 is in default. This is less than one-tenth of 1 percent.

Rural America is being electrified as a result of a Federal-local partnership that began in 1935. The achievements of this program, in terms of human dignity, productivity, buying power, and opportunity have been of enormous benefit to this Nation.

The success of a comprehensive effort to bring water to rural America can, in my opinion, make the same kind of impact on our Nation's economy and can succeed in achieving these same results.

Senator HOLLAND. Thank you, sir.

I notice that you have some attachments appended to your statement. Are those the ones mentioned a while ago?

Mr. KILEY. Yes, sir.

Senator HOLLAND. They are already included in the record.

Mr. KILEY. And also Senator Aiken's article.

Senator HOLLAND. Do you have any questions, Senator Aiken?

Senator AIKEN. No; no questions because the time is limited, but since the hearing started, the committee has received seven telegrams, two in opposition and five in support of the bill. The five in support of the bill are all from Iowa. The ones in opposition—one from Champaign, Ill., and the other one is from Gary, Ind., manufacturers of supplies, I think.

Senator HOLLAND. Let them all be filed in the record, not as part of anybody's statement but just as having come to the committee from various sources.

Senator AIKEN. There is, I suppose, quite a lot of support for privately owned water systems. These telegrams speak for themselves.

Senator HOLLAND. It seems to me they ought to all appear in the record.

Senator AIKEN. Yes. These seven have been received in the last few minutes.

(The telegrams referred to follow:)

CHAMPAIGN, ILL., *June 16, 1965.*

HON. ALLEN J. ELLENDER,
U.S. Senate,
Senate Office Building,
Washington, D.C.:

Of the approximately 1,500 public water supply systems in Illinois almost 800 are over 50 percent serving rural area populations of less than 5,000 and new ones are being constructed each year utilizing private investment capital. I wish to express my opposition to the loan and grant provisions of Senate bill 1766 as they relate to the construction of public water supply systems. These provisions are not necessary and would serve only to further extend and encourage the dependence of our citizens upon the Federal Government.

E. R. HEALEY,
Vice President, Northern Illinois Water Corp.

GARY, IND., *June 17, 1965.*

HON. ALLEN J. ELLENDER,
Senate Office Building,
Washington, D.C.:

I wish to express my opposition to the grant provisions of S. 1766 for the construction of public water supply systems. Ordinarily where a public water supply is feasible the users can well afford to finance the system. Water rates have

traditionally been too low but the public will accept relatively high rates when a water supply project is important to them. The majority of the Indiana public water supply systems are in communities of less than 5,000 and all are operated within the limits of their own revenues. To illustrate my point I am forwarding an article describing the financing by private enterprise of a water system in Portage, Ind.

LEO LOUIS,
President, Gary Hobart Water Corp.

CLEARFIELD, IOWA, *June 17, 1965.*

Senator ALLEN ELLENDER,
Chairman, Agriculture and Forestry Committee,
Washington, D.C.:

We ask your support for Senate bill 1766. This bill helping to provide systems would be a great boost to smaller communities.

HUBERT DAVENPORT,
President, Clearfield Lions Club.

CLEARFIELD, IOWA, *June 17, 1965.*

Senator ALLEN ELLENDER,
Chairman, Agriculture and Forestry Committee,
Washington, D.C.:

The mayor and city council of Clearfield, Iowa, ask for your help and support for Senate bill 1766. This bill is absolutely essential if smaller communities are to obtain municipal water systems.

HOWARD WOOD,
City Clerk, Clearfield, Iowa.

CLEARFIELD, IOWA, *June 17, 1965.*

Senator ALLEN ELLENDER,
Chairman, Agricultural and Forestry Committee,
Washington, D.C.:

I strongly urge your support of Senate bill 1766. This bill will help insure smaller communities to enjoy growth and prosperity.

DALE E. JUERGENS,
State Savings Bank.

CLEARFIELD, IOWA, *June 17, 1965.*

Senator ALLEN ELLENDER,
Chairman, Agricultural and Forestry Committee,
Washington, D.C.:

Due to the fact that municipal water system is necessary for the health of our people, I urge your support of Senate bill 1766. This bill would help the residents of smaller communities to enjoy good water as well as residents of larger communities.

Dr. T. GORDON,
County Coroner.

CLEARFIELD, IOWA, *June 17, 1965.*

Senator ALLEN ELLENDER,
Chairman of Agriculture Committee,
Washington, D.C.:

We of Cincinnati, Iowa, a small town, are very much in favor of Senate bill 1766.

JOHN N. ATKINSON,
Mayor, Cincinnati, Iowa.

Mr. KILEY. Thank you, Mr. Chairman.

Senator HOLLAND. Mr. Sam Thompson, Mississippi Board of Water Commissioners.

(No response.)

The CHAIRMAN. Mr. Bertsch is next.

Will you identify yourself for the record, sir.

STATEMENT OF HOWARD BERTSCH, ADMINISTRATOR, FARMERS HOME ADMINISTRATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. BERTSCH. I am Howard Bertsch, Administrator of the Farmers Home Administration.

I have Mr. Bernard Polk, Assistant Administrator, Community Service Loans; Mr. Larry Brock, Assistant Administrator, responsible for relations with private investors; and Mr. Howard V. Campbell, who is Director of the Farmers Home Division of the Office of the General Counsel.

I know that the committee is pressed for time, and I am prepared, Mr. Chairman, to handle this statement in any way that you choose.

The CHAIRMAN. I would suggest that you file the statement for the record and highlight it for us.

Mr. BERTSCH. I appreciate this opportunity to discuss S. 1766, a bill which would increase the annual authorization for insured loans made by the Farmers Home Administration from \$200 million to \$450 million and amend the present authorization of the Farmers Home Administration with respect to its program for financing rural water systems. May I first discuss section 2 of the proposed legislation.

The CHAIRMAN. How much of that would be required to finance these water systems?

Mr. BERTSCH. This year, Mr. Chairman, with the \$200 million authorization we used \$70 million for association loans with water systems and minor parts of that for other associations. That program is accelerating at a very rapid rate, and it is our judgment that \$250 million of the \$450 million would be used for association loans. The other \$200 million, with which the chairman of the committee is most familiar, will be used for individual real estate loans.

As you gentlemen know, in the insured loan program we take funds that have been made available by private investors and use these funds to make certain types of loans. We insure the repayment of the loans and carry on all of the loan making and loan servicing functions.

We started making loans in this manner in 1947. Through the years, and especially since 1961, various steps have been taken to improve this type of financing until today we believe it is one of the smoothest running operations in the entire Federal credit system.

The response from the banking community and from other investors has been excellent.

The losses have been minimal. The demand is steadily increasing.

The type of loans that can be financed in this manner have expanded through the years. Section 2 of S. 1766 affects three major loan types: farmownership loans, rural community water system loans, and loans to bring about shifts in the use of land.

For the sake of clarity I will discuss each of the three types separately.

FARMOWNERSHIP LOANS

Farmownership loans are used to improve and develop family-type farms, to buy land and to refinance debts. These loans were first authorized in the thirties. They were the first type to be made on an insured basis.

The demand for this type of credit is greater today than it has ever been before.

There are several reasons:

The Consolidated Farmers Home Administration Act of 1961 broadened this program. Previously it has been limited to financing a narrow band of family-size farms. The 1961 act expanded this type of credit to the full range of family farms. The 1961 act also substantially increased the amount that could be loaned on any one farm.

Young farmers need this sort of credit to take over the farms that are being placed on the market by their retiring elders.

Established farmers need this sort of credit to enlarge and update their operations in the endless drive to overcome today's narrow-profit margins by continually increasing efficiency.

Many farmers need our credit to work their way out of financial difficulties. Sometimes their troubles stem from purchase contracts that contain terms and conditions they cannot meet.

In many cases they need to use some of their equity in real estate to restructure on manageable terms short-term debts incurred for long-term improvements.

The demand for this type of credit is reflected in the overall figures on farm debt. Since 1960 the real estate debt of farmers has climbed from \$12.1 to \$18.8 billion—a 50-percent increase in a 5-year span.

The pressure for this form of credit also shows up in the applications that are accumulating in our county offices.

We have every reason to believe that the demand for farm ownership loans will be greater a year from today than it is today. We believe that the future security of the family farm depends to a considerable degree on the expansion of the insured farmownership loan program proposed under section 2 of S. 1766.

The need for many farmers to enlarge their holdings continues. The average age of farm operators is rising, increasing the requirements for establishing young farmers. The cost-price squeeze continues.

In addition to farmownership loans we finance soil conservation, drainage, irrigation, and farmstead water development with individual insured loans. This phase of insured loan activity is relatively small in the total picture though exceedingly important to the farmers who use this credit service. In an effort to limit my comments to the main issues, I will not elaborate on this credit need.

RURAL COMMUNITY WATER SYSTEM

Rural community water system loans are used to develop and improve water systems in rural areas including small towns with less than 2,500 population. We avoid with great diligence financing new developments close to urban areas which are satellite to urban areas. We have avoided financing any associations which are not truly rural in character.

The demand for this type of credit is also increasing.

Part of the increased demand stems from the fact that the Consolidated Farmers Home Administration Act of 1961 broadened the program by permitting loans to groups of rural people in open country or in towns of less than 2,500 for the development of water systems without regard to the number of farm families that shared the water supply.

Part of the demand rises from the fact that the engineers of the Farmers Home Administration have found a way to build dependable rural water systems at a cost so low that systems can be financed today which heretofore were not economically feasible.

But the main demand comes from the cumulative effect of a long unfulfilled and widespread need for this type of community facility.

More than 30,000 rural areas are today without a modern water system. As more and more of the people in these areas hear about what their neighbors have accomplished in the way of bringing water into their homes the demand for this credit assistance will continue to increase.

In all of our years of ministering to the credit needs of family farmers and rural communities we have never seen a service that was as greatly appreciated as the rural community water system program.

Country people who all their lives have taken for granted that they would have to haul water a good part of the year now have water on tap in their kitchens and bathrooms 24 hours a day.

Land values go up when a water system is built. Homes are remodeled. New, small but vital industries spring up. Young people take a second look at their home community. The availability of pure water delivered to farms and homes under pressure is a powerful force in rural community development and revitalization.

In addition to rural water system loans we finance soil conservation, drainage, and irrigation facilities on a group basis.

SHIFTS IN LAND USE

Insured loans are also made to groups of rural people to shift land into better uses, including recreation and grazing. This is a relatively new credit service.

Loans to shift land use were first authorized in the Food and Agriculture Act of 1962.

The demand for credit to shift land into rural recreation centers stems from rural leaders who know if their community is to prosper it must have recreation facilities that will (1) make the community more attractive as a place in which to live and work and raise families, (2) attract outsiders who have money to spend and are in search of recreation facilities, and (3) encourage those who have left to return.

The demand for credit to shift land into grazing areas comes from farmers whose incomes are shrinking, and who to stay on the farm must have some way to expand their agricultural activities. They see large ranches being placed on the auction block and see the advantage of banding together in an association to acquire the needed land resources.

MEASURING THE NEED

A question has been raised about the amount of this increase in insurance authority.

There are several ways of measuring the need for insured loans. One is past experience.

We have had a \$200 million ceiling in the insured loan program for 3 fiscal years.

Senator AIKEN. That is annual.

Mr. BERTSCH. That is annual insurance authority, yes, sir.

In fiscal 1963 our insured authority was committed, and clearly so, during the month of May.

Senator AIKEN. When were your first loans made?

Mr. BERTSCH. Our first direct loans were made as long ago, Senator Aiken, as 1937, but the program was vastly expanded and modernized in 1961.

Senator AIKEN. What is the record of repayment on your loans, or defaults?

Mr. BERTSCH. May I give you that accurately? I have a note here. As of January 1, 1965, the most recent date for which we have figures, there were 883 association loans outstanding in the amount of \$77,825,180, and 97 percent of the maturities due on that date had been met. Of the \$85,588,010 loaned to 993 associations—the reason for the difference being that some have paid in full—since the inception of this program in 1938, only \$5,769 has been charged off as a loss. At the same time, associations have repaid more than \$7 million in interest.

Senator AIKEN. That is out of \$77 million in loans.

Mr. BERTSCH. Out of \$85.5 million, \$5,769 has been lost.

Senator AIKEN. Has been charged off as a loss.

Mr. BERTSCH. Right.

Senator AIKEN. This \$200 million ceiling which you have had, that did not apply just to water systems; did it?

Mr. BERTSCH. No, Senator Aiken; that applied to farmownership loans as well.

Senator AIKEN. Everything.

Mr. BERTSCH. Right.

Senator AIKEN. And this \$450 million?

Mr. BERTSCH. Would apply to everything as well.

Senator AIKEN. Which you would apply to everything and not just water systems.

Mr. BERTSCH. That is correct.

Senator AIKEN. Thank you.

Mr. BERTSCH. In fiscal 1964 we reached a similar position during April.

This fiscal year, early in December, we could see that we had enough loans in advanced stages of processing to utilize our annual insured loan authorization.

While we are still processing loans that were approved earlier in the year, the program, so far as serving new applicants, came to a halt 4 months ago.

The applications currently on hand, after the insured authority has been exhausted, form another indication of the need.

As of March 31, we had on hand 17,500 applications for farmownership loans and 1,400 for water systems and shifts in land use.

The dockets we have on hand, the applications that are on file, and the general trend of the insured loan programs indicate a demand well in excess of \$450 million a year.

While the major change that section 2 of S. 1766 would make in existing legislation would be to increase the annual insurance authority from \$200 to \$450 million, there are three other important amendments included in the bill.

For example, it would increase from \$25 to \$50 million the amount of loans that can be made out of the agricultural credit insurance fund.

This fund is used to make loans and group them for sale on an insured basis to private investors.

Under the present \$200 million annual insurance authority approximately \$15 million in notes are being processed through the fund at all times.

This encumbrance is the result of a time lapse between the date the insurance fund issues loan checks and the date the notes for such loans are received by the fund and become available for sale.

The balance of the present \$25 million authority is used to accumulate blocks for sale to national lenders.

The proposed increase in the annual loan insurance authority from \$200 to \$450 million would bring about a corresponding increase in the amount of loans being processed through the fund at any one time.

Unless the limitation is increased, loan making activities would be temporarily halted whenever the amount of loans being processed reached the \$25 million level.

Increasing the ceiling on the amount of loans that could be in the fund to \$50 million would avoid this type of delay.

In addition raising the fund ceiling to \$50 million would make it easier to fill large orders from investors.

The change to \$50 million would in no way change the total amount that could be insured annually.

Section 2 of S. 1766 would also enable the Farmers Home Administration to sell insured notes at interest rates up to 5 percent and to establish redemption periods consistent with market demands.

These changes would greatly increase the ability of the Farmers Home Administration to meet fluctuations in the investment market.

The proposed changes would not increase the interest charges paid by borrowers.

FARM MESSAGE

We were of course very pleased with the President's comments in his farm message regarding the insured loan program.

He pointed in several instances to the need for strengthening family farms and recommended an increase in the annual authority to insure loans.

In general what the President had to say about strengthening rural America is what we have been saying, or at least inferring today.

Rural America to be strong must be composed of the maximum number of family farms and rural communities.

The insured loan program builds this type of rural economy.

And the insured loan program, in our judgment, has other merits too.

This type of financing substitutes private capital for capital provided by the U.S. Treasury.

This type of financing creates customers for local credit institutions.

This type of financing uses private funds to serve a public purpose and does so in a manner that guarantees the return of the invested funds. Currently approximately 3,500 banks and other lenders are investing in these loans.

We have and are engaged in a wide variety of credit measures to strengthen the rural segment of our national economy.

In our opinion no measure is more vital to the welfare of rural America than the additional financial assistance that would be provided if the principles contained in section 2 of S. 1766 were adopted.

This section proposes no new programs; it extends tried and tested measures.

Years of experience, we started making insured loans in 1947, have tested the soundness of this approach to financing rural credit needs. To date we have insured \$936 million of funds advanced by private lenders and our losses are five one-hundredths of 1 percent of the principal advanced. These losses of course are more than covered by the insurance fees we have collected. In fact the insured loan fund now holds reserves of some \$15 million.

Section 1 of S. 1766 would amend in three respects the present authority of the Farmers Home Administration in the field of financing domestic water installations. It would—

(1) Permit grants up to 40 percent of the construction cost of a water system where necessary;

(2) Define a rural community as one not more than 5,000 population, whereas at present we are operating under an administrative limitation of 2,500, and

(3) Would permit loans, either direct or insured, to a maximum of \$4 million instead of the present limitation of \$1 million for insured loans and \$500,000 for direct loans.

The provision permitting grants meets a definite need posed by many rural communities. In the administration of its present program the Farmers Home Administration has had applications from numerous communities which could not afford to pay the entire cost of a needed water supply. This might be due to the low incomes of many of the prospective users, to the high cost of locating a good water supply or to providing a distribution system in an area where the population is not concentrated.

It is a simple fact of life that either the construction of such systems must be subsidized or many rural people never will have running water.

Increasing to 5,000 population the definition of a rural community also seems to us to be sound and proper. Many small towns with populations below this figure, but above the present 2,500 limitation, need financing to install water systems or to improve or modernize their existing systems. These towns are essentially rural in character and credit from other sources is unavailable to them.

The CHAIRMAN. How much do you contemplate would be expended by way of grants to these communities?

Mr. BERTSCH. We contemplate using the entire authorization contained in the proposed legislation, which is \$25 million per year for construction grants and \$5 million a year for planning grants.

The CHAIRMAN. And the rest by loans?

Mr. BERTSCH. The rest by loans; yes, sir.

The CHAIRMAN. What would be the basis for these grants—a percentage basis in proportion to what the community can raise on its own?

Mr. BERTSCH. No; we would propose to prepare an economic feasibility study of the debt paying capacity of the community, which we do at the present time. We would then see the design prepared by a private designing engineer employed by the association, and if the cost of a reasonable design exceeded the debt-paying ability of the community, the difference between those two items, if it did not exceed 40 percent, would be provided by a grant. An individual judgment determination based upon these facts would be arrived at in each instance.

The CHAIRMAN. In other words, you could pay as much as 40 percent of the cost.

Mr. BERTSCH. We could under this proposal pay as much as 40 percent.

The CHAIRMAN. Is that stipulated in the act?

Mr. BERTSCH. That is stipulated in the act; yes, sir.

Senator AIKEN. I think the percentage for grants in the bill which the House has before it now is 50 percent, is it not, that they are permitted to contribute for the cities?

Mr. BERTSCH. That is correct, Senator Aiken. Under title 6 of H.R. 7984, which has been reported by the committee to the whole House, section 602 provides that:

The Housing and Home Finance Administrator is authorized to make grants to local public bodies and agencies to finance specific projects for basic public water and sewer facilities including works for the storage, treatment, purification, and distribution of water. The amount of any grant made under the authority of this section shall not exceed 50 percent of the development costs of the project.

Senator AIKEN. But without any ceiling on the total amount, is that true?

Mr. BERTSCH. I believe that is true.

Senator AIKEN. I do not understand why they went that far, Senator Ellender, to say for the urban areas that the Federal Government would pay up to 50 percent of the cost and no ceiling on the total amount as is included in this bill. Maybe we are too modest, but certainly I think the percentages should be the same.

The CHAIRMAN. Well, city systems have more users.

Senator AIKEN. I suppose the city water system might be considered more profitable at this time. I do not know. It may be necessary. I was just pointing out we were not asking for anything that other people do not have and do not ask for at any rate.

The CHAIRMAN. Point out for us what is in this bill that is not in other legislation that will assist in furnishing water to various communities.

Mr. BERTSCH. The two provisions to which I have referred. The 40-percent grant, we do not have that authority at the present time. The statutory definition of a rural community at 5,000 we do not have at the present time.

The third new provision, which we do not have at this time, is an authority to make loans up to \$4 million, insure loans up to \$4 million—I am sorry—to make or insure loans up to \$4 million to any one association. At the present time we may insure loans only to \$1 million, and we may make direct loans only to \$500,000.

We think they are valid reasons for increasing the limitations on the size of the loan authorized for any single applicant association to \$4 million. It has been our experience since 1961 that because of the \$1 million limitation many applications could not be approved and many of the loans we did make could have financed even better systems had the \$1 million limitation not been in effect. Frequently, it is more efficient from an engineering standpoint and more practical from a management standpoint to build a water system that will service a maximum number of users. Many rural communities lie close enough together to be served by one system which would be more economical and more efficient. The \$1 million limitation prevents this economy and this efficiency.

We are then in agreement with the objectives of both sections 2 and 1 of the proposed legislation. It is hoped, however, that the most critical needs for community facilities will be met to a significant extent under the authorities of the President's proposed Housing and Urban Development Act of 1965 and the Public Works and Economic Development Act now under consideration by the Congress.

It should also be pointed out that the President in his message on agriculture requested that the Department of Agriculture and the Bureau of the Budget work with other agencies in reviewing their programs to assure an equitable distribution of benefits between urban and rural areas and propose such administrative and legislative steps as may be appropriate.

Pending completion of such review, we believe that action on section 1 of this proposed legislation should be deferred. We do, however, recommend immediate favorable action on section 2 of the proposed legislation.

The CHAIRMAN. I will place in the record at this point the views of the Department of Agriculture in a letter addressed to me dated today, the 18th. It includes the language that you have just read.

(The letter referred to follows:)

DEPARTMENT OF AGRICULTURE,
Washington, D.C., June 18, 1965.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request of April 28, 1965, for a report on S. 1766, a bill to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

The Department of Agriculture agrees with the objectives of these proposed additional authorizations. Recent experience in working with rural groups throughout the country has indicated a predominant need for certain specific types of community facilities and community planning.

In fiscal year 1962, the Farmers Home Administration was, for the first time, permitted to make and insure loans to associations serving primarily rural residents as well as farmers and ranchers. The increase in applications from rural communities for water system loans has emphasized the wisdom of the Congress in modernizing this program. In many parts of the country the only solution to the rural water problem is a large central system producing clean treated water and distributing it to as many people as possible. These systems can support efficient management and can supply water of the best quality at the most reasonable per capita cost.

Many rural communities applying for water system loans also seek assistance in the planning and construction of community waste disposal facilities. In fact, in many localities a satisfactory waste disposal system is a prerequisite to a safe water supply.

In administering the present loan program for rural water systems, the Farmers Home Administration has found that many rural communities cannot afford the entire cost of needed water supply and distribution facilities due to either low income of many of the prospective users or the high cost of providing distribution systems, including, where necessary, such installations as water treatment plants, in sparsely settled areas. For the same reasons, it is anticipated that many rural communities could not afford the entire cost of needed waste disposal systems.

Another great need in rural communities is effective firefighting facilities, including reservoirs and other sources of water, fire towers, other structures and equipment for firefighting.

The Farmers Home Administration was authorized in 1962 to make loans to rural communities and other associations of farmers and rural residents for shifts in land use, including the development of recreational facilities. Applications for loans to develop recreational facilities have been received in nearly every State of the Union. In some instances, facilities are needed to assist the economy of the rural communities but do not involve substantial shifts in land use. Such facilities and structures for use as general community centers would meet an urgent need in many rural areas.

It is hoped that the most critical needs outlined above will be met, to a significant extent, under the authorities of the President's proposed Housing and Urban Development Act of 1965 and the Public Works and Economic Development Act now under consideration by the Congress. In addition, in order to assist in more effectively extending the benefits from various existing and newly proposed Federal programs to rural people, the President's 1966 budget request for this Department now pending before the Congress provides for strengthening the capacity of the Cooperative State Extension Service and the Rural Community Development Service.

The President, in his message on agriculture, also requested that this Department and the Bureau of the Budget work with other agencies in reviewing their programs to assure an equitable distribution of benefits between urban and rural areas and propose such administrative and legislative steps as may be appropriate. Pending completion of such review, we believe that action on section 1 of S. 1766 should be deferred.

Section 2 (1) would increase from \$200 million to \$450 million the aggregate amount of loans that may be insured annually under this act. This increase will permit the Department to assist an additional number of eligible applicants for loans authorized under subtitle A of the Consolidated Farmers Home Administration Act of 1961, Public Law 87-128, as amended. Farmownership loans are made to assist family farmers to buy, enlarge, or develop farms and to refinance debts. Soil and water conservation loans are made to individual farmowners or tenants to assist them to improve, protect, and properly use their farmland. Soil and water conservation loans are also made to public and quasi-public bodies and nonprofit associations for the development and use of water and to carry out soil conservation practices and shifts in land use that serve farmers, ranchers, and rural residents. Additional loan purposes for farmownership and soil and water loans were authorized in 1962 by Public Law 87-703. Farmownership loans were authorized for recreational enterprises on family farms and for fish farming. Important new authorizations were also provided to enable the Farmers Home Administration to make or insure loans to associations for shifts in land use, including the development of recreational facilities. Greater emphasis has been placed on making loans for forestry purposes since that time.

Applications for insured farmownership and soil and water conservation loans to individuals were received during fiscal 1964 at the rate of 3,198 per month, and loans were made at the rate of 1,235 per month. Initial farmownership loans averaged about \$16,965. The demand for insured loans for all purposes in fiscal 1964 resulted in a total commitment of the \$200 million authorization by early May in 1964. In fact, the insurance authorization only permitted the making of loans to approximately 50 percent of the applicants qualifying for loans.

There were 14,837 applications for farmownership and individual soil and water loans on hand June 30, 1964, and this number increased to 16,324 by December 31, 1964. During that period loans were made at over 1,200 per month.

Under Public Law 87-128, a source of credit has been made available to small rural communities in the United States which do not have an adequate and safe water supply. In closely settled rural communities, it is difficult and costly to obtain and develop sources of water supply free from contamination or pollution. In addition to the 15,000 rural towns which do not now have domestic water systems, there are many thousands of fairly heavily settled rural areas in which the use of individual family shallow wells creates the hazard of contaminated domestic water supply which can be remedied either by obtaining water from deep wells or the development of a group domestic water system.

The Farmers Home Administration has found that the new water development legislation has created tremendous demands for loans throughout the entire Nation as reflected by 1,429 applications now on hand. In 1960, soil and water conservation loans to associations were made in only 10 States; in fiscal 1963, they were made in 34 States; and in fiscal 1964, such loans were made in 39 States. These loans have averaged about \$120,000 each. During the first half of this fiscal year, 167 loans have been made for \$19 million.

These loans are available only to individuals and organizations which cannot secure the necessary financing from other credit sources. Credit is usually not available for establishing a new water distribution system by a nonpublic agency. Even where a new system is undertaken by such public bodies as small rural towns and rural water districts, they are unable to provide the needed revenue required by commercial-type investors. Hence, if rural areas are to be served with satisfactory water supplies and distribution systems which are essential factors in maintaining our rural health and economy, it will be largely through the credit available under Federal programs.

Of significant importance in addition to the new authorizations to serve small towns and rural communities is the authorization to make or insure loans to associations for shifts in land use. Generally, such shifts in land use will result in a reduction in the production of crops that are in surplus supply. This will enable small towns and nonprofit organizations to obtain loans through the Farmers Home Administration for the purpose of developing recreational facilities, such as community swimming pools, little league baseball fields, fishing lakes, and many other facilities for healthful outdoor recreation which can be enjoyed by families living in the community and surrounding urban areas. The demand for shifts in land use appears to be increasing rapidly as rural communities which have long been in need of revitalization seek to provide important public improvements. A lack of credit for such improvements has plagued rural areas for many decades.

An increase in the authorized amount of insured loans will reduce the need for direct Government loan funds for farmownership and soil and water loans. During fiscal 1964, the obligation of direct funds was discontinued for several months while the \$200 million of insured loan authority was available. Under current money market conditions, an increase in the insured loan authorizations would permit meeting the credit needs of more of the applicants for farmownership and soil and water loans with insured funds and would thus effect a savings in sums authorized to be obligated for direct loans. However, to effectively operate the proposed increased program of insured loans, the present limit of \$25 million of loans made from the fund and not disposed of at any one time should be increased to \$50 million. Section 2(c) of the bill would accomplish this by changing section 309(f)(1) of the act by increasing the figure from "25,000,000" to "50,000,000".

The proposed increase from \$25 to \$50 million in the limitation on the amount of loans that may be made out of the insurance fund, but not sold and insured at any one time, is necessary to prevent undue delays in closing loans for eligible applicants. Under the present \$200 million annual authority to insure loans approximately \$15 million of the \$25 million limitation is encumbered at all times. This encumbrance is the result of a time elapse between the date the insurance fund issues loan checks and the date the notes for such loans are received by the insurance fund. This time elapse is required for closing of loans in the field offices. After the notes are received by the insurance fund they are sold to investors as soon as possible, thereby keeping the loans in the fund at any one time below the present \$25 million limitation. The proposed increase in the annual loan insurance authority from \$200 to \$450 million, if enacted, would cause the amount of loans that would normally be in the insurance fund to exceed the \$25 million limitation because of the time required between issuance of checks and receipt of notes for sale. Therefore, unless the limitation is

increased, loan making activities will be delayed. It would also be desirable to be able to accumulate some notes in the insurance fund so that large orders from investors could be filled more expeditiously. The change to \$50 million would not permit additional loans to be made above the annual legislative ceilings and it would not add any additional cost to the Government.

Section 2 (2) and (3) would change the act as follows: (1) section 308 would be amended in clause (a) by striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; (2) by striking clause (b), section 308, and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan."; and (3) section 309(c) of such act would be amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge."

These changes are necessary to assure a continuing availability of private funds for the making of insured loans or the purchase of loans made out of the fund to be sold and insured because of fluctuations in the investment market. Under these changes the yield to the investor could be made comparable to the yield of other obligations on the market. By varying the amount retained by the Secretary out of payments by the borrower, the amount payable to the investor could be increased without sale of the loan at less than the balance due on the obligation at the time of the sale. The amount to be retained would be determined by the Secretary at the time of loan closing or original sale out of the fund and could be varied upon resale of the loan after repurchase by the Secretary pursuant to the repurchase agreement in the insurance endorsement. The period of nonredemption by the Secretary would be left to the discretion of the Secretary as a further aid in the sale and insurance of loans.

The flexibility proposed in the foregoing changes is essential in order to enable the Secretary to adjust the rate of return to the lender and the period of non-redemption in accordance with the changing conditions of the money market and thus attract the investment of private funds in these insured loans.

The need for funds for salaries and other administrative expenses for the broadened insured loan program will be increased for fiscal year 1966. In order to provide for processing loan applications and servicing the increased number of insured loans which would be authorized under the proposed increase of \$250 million, additional personnel will be needed throughout the United States.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN.

Senator AIKEN. I have some questions to ask. How is it that we received no report on this legislation until 6 months after the first bill was introduced?

Mr. BERTSCH. Senator Aiken, I do not know whether I can answer that question with any authoritative fashion. There have been negotiations going on; as I pointed out, a study, a review of our program and other programs available to the people of this country in the area of community facilities has been carried on, and pending the completion of that review, it was determined by the administration that the report on this bill should be held pending. The review has not yet been completed. Hence the recommendation of the administration that action on section 1 of the bill be deferred.

Senator AIKEN. When did you get this decision of, shall we say, the Budget Bureau, that being the arm of the administration which would make its report? How long have you had the decision?

Mr. BERTSCH. The decision to ask for a determination?

Senator AIKEN. To oppose enactment of this legislation at this time.

Mr. BERTSCH. Since 5:30 last evening.

Senator AIKEN. Since 5:30 last evening. That is very thoughtful of them. Did you prepare this report since 5:30 last evening?

Mr. BERTSCH. Yes, sir, beginning at 2:30 this morning.

Senator AIKEN. Have you prepared any statement previous to 5:30 last evening?

Mr. BERTSCH. Yes, Senator, anticipating a different position from the Bureau of the Budget, we had prepared a different statement.

Senator AIKEN. And your conclusions were different than the ones you have just given to us.

Mr. BERTSCH. Our conclusions were different.

Senator AIKEN. You have pointed out in your testimony that a review is being conducted of existing programs to assure there will be more equitable distribution of the grant program between urban and rural areas. If an existing agency oriented largely toward the serving of urban areas were as a result of this review to be given the responsibility for the financing of community facilities in rural areas, would it not be necessary for such an agency to amend its organizational structure and establish hundreds of offices across the country available to rural people in rural areas?

As I understand it these urban agencies do not presently have offices through all the rural areas of the United States.

Mr. BERTSCH. It has certainly been our experience, Senator Aiken, having 1,600 county offices located in rural communities and staffed by men oriented toward serving rural needs—it has been one of the most important factors contributing toward our ability and success in serving rural areas. I would assume this same requirement would accrue to any agency having this responsibility.

Senator AIKEN. It would appear the Budget Bureau may have in mind the placing of agricultural rural programs under urban management. Has any review been made regarding the water facilities program, and if there has been such a review, do you know who carried it out? Has the Housing and Home Finance, for instance, carried out any review of this rural water program or other rural programs?

Mr. BERTSCH. I know of one field examination made by the committee established under the President's order which was made of our program in central Tennessee. This was carried on under the leadership of Mr. Capron, the Assistant Director of the Bureau of the Budget. He was joined by Mr. Sundquist, who was then Deputy Under Secretary of Agriculture and who is now with the Brookings Institute, and by Mr. Shushim, who is on the staff of—I am not sure of his title—on the staff of the Administrator of the Housing and Home Finance Agency.

Senator AIKEN. And they have been undertaking to review your work.

Mr. BERTSCH. That is correct.

Senator AIKEN. You have a pretty good knowledge of your own work, have you not?

Mr. BERTSCH. I think that the record of our work fairly well speaks for itself.

Senator AIKEN. Do you see any duplication in your agency's services and those provided by other agencies in the financing of rural water systems presently?

Mr. BERTSCH. No, I see no problem in the duplication of services. Community Facilities Administration is also in the business to aid communities who cannot obtain credit elsewhere. However, the Community Facilities Administration differs from our agency in that they do not have authority to make loans to other than public bodies, and we make loans to nonprofit associations. There are thousands of rural towns and rural water companies who need counseling and guidance in the development and operation of good community water systems. We are staffed to provide this supervision and guidance. Occasionally we receive an application which might qualify for service from the Community Facilities Administration. In such an instance our State director contacts the CFA representative in his State and together they make a determination as to whether Community Facilities Administration or the Farmers Home Administration should aid the applicant. We work very closely together. We accede to the Community Facilities Administration in any instance in which they feel qualified and willing to service the application to completion. We make loans then only to association applicants who cannot qualify for any other credit including credit from the Community Facilities Administration.

Senator AIKEN. In the making of loans for rural water systems, assuming this bill should be enacted into law, what percentage of those loans do you anticipate would be direct and what would be insured? Just estimate; I know you cannot tell for sure.

Mr. BERTSCH. I suppose 25 percent might be direct because we have an agreement with the Treasury Department that we will not insure tax-exempt bonds. Public bodies ordinarily have bonds to dispose of representing their indebtedness which are tax exempt. The Treasury Department asks us to make those loans direct rather than insured, and for that reason the percentage might be as high as 25 percent.

Senator AIKEN. Then your insured loans would be——

Mr. BERTSCH. Seventy-five percent, I would judge, of our loans would be insured.

Senator AIKEN. I notice here that the Budget apparently says they think the urban agencies could take care of, using your words, "The most critical needs for community facilities." What about those needs that are not most critical but are almost critical? Do they not have any interest in those? I will not ask you. They are the ones who should answer that question. It is very obvious they do not, and it is very obvious, too, that the urban agencies or the administration or the Budget Bureau or somebody is particularly concerned in having the urban agencies take over the rural programs. This is not the only case. It is apparently part of a pattern.

I think that covers all my questions. I already pointed out that in the House bill I do not believe there is any reference to agricultural needs such as washing vegetables and milk cans and things like that. And if the Budget has suddenly become interested in the rural areas, well, it is since half past 5 last night according to Mr. Bertsch. It is since this bill was introduced. They had no idea of taking this on before apparently.

I think that is all the questions I have.

The CHAIRMAN. Thank you, Mr. Bertsch.

Mr. BERTSCH. Thank you, Mr. Chairman, and thank you, Senator.

Senator AIKEN. Just a minute. I have here a series of questions sent in by Senator Miller who could not be here this afternoon. I will not ask these questions; there are 12 of them. They relate to the kind of pipe used and cost feasibility.

The CHAIRMAN. Suppose you give them to Mr. Bertsch.

Senator AIKEN. And let him submit the answers for the record.

Mr. BERTSCH. We will do the best we can with this, Mr. Chairman.

Senator AIKEN. It might take a long time to answer all of them, but probably you can answer most of them.

Mr. BERTSCH. So that you will understand our submission, I should point out that we operate as decentralized an organization as is possible.

The CHAIRMAN. Do the best you can with the answers, and send them as soon as you can.

(The information referred to follows:)

PROPOSED QUESTIONS OF SENATOR MILLER AND ANSWERS BY THE FARMERS HOME ADMINISTRATION

Question. 1. In approving loans or insuring loans under section 306 of the Consolidated Farmers Home Administration Act of 1961, as amended, does the Farmers Home Administration have any construction standards which water district installations must meet?

(Elaboration if necessary:)

Does it have any technical standards of any kind which such installations must meet?

Does it have any engineering standards?

(a) Would you furnish the committee details on such standards?

Answer. 1. The Farmers Home Administration requires water systems to meet all established standards relating to safety, structural adequacy, and acceptability from the standpoint of health. Each system is individually designed by a qualified engineer registered to practice in his State. He is required to prepare designs and specifications which meet with the approval of the appropriate health departments. They must also incorporate established commercial standards for all materials and the specifications for installation of materials and equipment must comply with manufacturers' recommendations. There is no compromise with established requirements for health and safety. The only variations permitted are in the refinements which may be desirable in large urban systems to streamline operational costs or to minimize the need for future new construction in highly developed areas but which may not be necessary, advisable, or economically feasible for rural systems.

Question. 2. In administering the act, does the FHA have any standards for determining the economic feasibility of the system?

(If this question is not understood by the witness then this can be elaborated as follows:)

(a) In other words, does the administration have any standards or criteria of an economic nature for determining whether it should grant a loan to a rural water district for the construction of facilities?

(b) For instance, does the FHA take into consideration the overall cost of the system per connection, the ability of the system to provide adequate supplies of water at a reasonable cost to meet the total water demands of the users, the adequacy of existing facilities, the availability of alternative types of facilities, or other similar factors directly related to the financial structures of water districts?

(c) What other factors of an economic nature do you consider in deciding whether to insure a loan or to make a loan to a water district under section 306 of the 1961 act?

Answer. 2. (a) In determining the economic feasibility, the Farmers Home Administration goes one step further than other private and public credit sources. It first determines the ability of the proposed water users to pay for water at rates which will provide the revenue to meet operation and maintenance costs, maintain reasonable reserves, and repay the loan. This determination is made by the local Farmers Home Administration county supervisor

who is familiar with the area and the local people and is working every day with those people and with other groups in the community on other rural credit programs.

After plans have been prepared, a typical budget is developed to demonstrate conclusively that the income to be received will meet all estimated costs.

(b) The Farmers Home Administration does take into consideration the overall costs of the system per connection. We also carefully analyze the ability of the system to provide adequate supplies of water at a reasonable cost that will meet the total demands of the users. We carefully check alternate water supply sources to determine which of several sources, in some cases, would be most feasible. The necessary design economies which make these rural systems feasible are made possible by another procedure peculiar to Farmers Home Administration operations. Each water system design is carefully calculated to provide the water supply needed by each user along the line using a maximum simultaneous demand of 3 gallons per minute per tap. Maximum and minimum pressures are carefully calculated for each control point on the system to make sure that the systems are so balanced and designed as to provide the needed services for each user in the most economical manner possible. Complete hydraulic calculations of this nature are rarely made for large urban systems.

(c) Other factors taken into consideration include assumed uses of water by local industries, special uses by such agricultural enterprises as dairies and greenhouses, and evident increases in the average income from livestock where farmers are concerned.

Question. 3. In administering section 306 of the 1961 act, does the administration require that associations be unable to obtain sufficient credit elsewhere to finance their plans at reasonable rates and terms, similar to the requirements of section 302 of the act?

Answer. 3. The Farmers Home Administration requires that associations be unable to obtain credit elsewhere. This determination is required for all loans under title III of the Consolidated Farmers Home Administration Act of 1961, as amended, by the provisions of section 333 of the same act.

Question. 4. Does the administration require that the association, if it has bonding authority, actually attempt to issue bonds?

Answer. 4. Farmers Home Administration personnel reviewing applications from associations make careful investigations of the availability of other credit to each applicant. If it appears that it may be possible for the applicant to market its bonds on the open market, it will be required to issue the bonds and make a public offer.

Question. 5. What criteria does the administration have relating to the projected annual earnings from a water system to the cost of repayment of principal and interest? Does the administration require that the projected annual earnings be $1\frac{1}{2}$ times the annual cost of repayment of principal and interest, which I understand is common in municipal financing?

Answer. 5. The Farmers Home Administration does not provide financing in competition with established sources of credit or with private lenders. Securities offered by applicants must be unsalable at reasonable rates and terms in the financial markets and therefore there is no requirement that a certain "bond coverage" be provided. The only requirement is that the projected annual earnings be at least equal to the amount required for operation, maintenance, debt service, and maintenance of a reasonable reserve.

Question. 6. What is the average development cost per connection of rural water districts receiving loans or insuring loans under section 306 of the 1961 act?

Answer. 6. The average development cost per connection of rural water districts receiving loans under section 306 of the 1961 act is approximately \$1,140 per tap.

Question. 7. Do you have any figures as to the cost per 1,000 gallons of water to users of rural water district water?

Answer. 7. The average cost per 1,000 gallons of water used by rural water district residents is approximately \$1.50 per thousand gallons. For a large water user this will go down to about 50 cents per thousand gallons based on the usual graduated water rate schedules.

Question. 8. Do you have any figures as to the monthly minimum charges per connection?

Could you supply the committee with such figures for the years 1963 and 1964 for each district, together with the number of gallons of water available for

this minimum charge and the average number of gallons actually purchased per connection?

Answer. 8. Detailed figures are not available for years 1963 and 1964; however, during the period of January to April 1965, the monthly minimum charge per connection averaged approximately \$6 per month. The average monthly charge was \$7.50. During the same period, the projects approved provided for an average of 3,000 gallons per month for the minimum charge. The average number of gallons actually purchased per connection on these systems is not available and could only be obtained by a careful analysis of the records of each operating association.

Question. 9. Do you have any figures with you as to the source of water for water districts receiving loans or insuring loans during 1963 and 1964, as between surface water and well water?

Could you supply the committee with such information indicating the source of the water, that is whether a well or surface water, and if a well whether it was a new well or whether an existing well was used, and the depth of the well.

Answer. 9. Statistics are not available for loans made during 1963 and 1964; however, an analysis of the loans made during fiscal year 1965 indicates that approximately 63 percent of the borrowing associations developed water from deep wells; 29 percent purchased water from other rural water districts, municipalities, and water authorities; and 8 percent developed surface water supplies. Practically all of the wells were new wells. Figures are not available on the average depth of such wells, but most of them were deep wells with pumping depths in excess of 200 feet.

Question. 10. Could you supply the committee with the number of miles of distribution piping in rural water districts insuring or receiving loans during the years 1963 and 1964, and any in 1965 that are available?

Answer. 10. Detailed figures are not available on the pipe used in Farmers Home Administration financed water systems during 1963 and 1964. However, a careful sampling of reports on water systems approved during the past fiscal year indicates that the average length of pipe is 16.6 miles per system. This totals about 6,400 miles for this fiscal year.

Question. 11. Do you have any figures as to the type, size and total footage of each type and size of pipe that was used in systems in 1963-64?

Could you supply the committee with such information for each installation in these years?

Answer. 11. Detailed figures are not available on the pipe used in Farmers Home Administration financed water systems during 1963 and 1964. However, a careful sampling of reports on water systems approved during the past fiscal year indicates that approximately 18.9 percent of the total linear feet is cast iron, 22.5 percent is asbestos-cement, and 56.4 percent is plastic pipe. Most of the plastic pipe, however, is 3 inches or smaller in diameter whereas most of the asbestos-cement and cast iron pipe is 6 inches or larger in diameter.

Question. 12. Do you have any figures with respect to the type of service lines installed on systems during 1963-64?

Could you supply the committee with information as to the type of pipe used and the size of the pipe and the total footage of each size and type?

Answer. 12. Complete information is not available on service lines installed to connect individual water users' homes to the mains. However, these service lines are generally $\frac{3}{4}$ -inch copper or plastic pipe with an average length of 40 feet per customer.

Senator AIKEN. If you insure what would seem to be a perfectly safe loan, you probably would not know the size of pipe used in it and where it was used.

Mr. BERTSCH. That is true.

The CHAIRMAN. All right, Mr. Richard, Mr. Hout, Mr. Snell, and Mr. Humes.

STATEMENT OF THADDEUS S. SNELL, LEGAL COUNSEL, WATER SYSTEMS COUNCIL, CHICAGO, ILL.

Mr. SNELL. Mr. Chairman and members of the committee, my name is Thaddeus S. Snell. I am an attorney practicing at 134 S. La Salle Street, Chicago, Ill. I am here today on behalf of the

water systems council, a national trade association of manufacturers of farm and domestic pumps and water systems and their suppliers. The council has about 50 members and associate members. With me today are: James Richard, president of Red Jacket Manufacturing Co., Davenport, Iowa, and president of the council; Fred Hout, president of Barnes Manufacturing Co., Mansfield, Ohio, a director and chairman of the council's legislative committee; and Mr. Durwood Humes, executive secretary of the Water Systems Council of Chicago, Ill.

Mr. Chairman, I should first like to express, on behalf of the Water Systems Council, our appreciation for the committee's generosity in permitting us to appear today. We believe that the rural water district legislation introduced by Senator Aiken, and cosponsored by many members of this committee, is of fundamental importance to the rural areas of this country, and we deem it a privilege indeed to present our views to this distinguished committee.

We have provided the committee with a list of members and a brochure, which describes our activities, for reference purposes.

You will note familiar names among members of the Water Systems Council. These names include some of the larger companies in American industry. It also includes among its members many smaller companies whose sole business is the manufacture of pumps, pumping equipment, and other components of water systems. In common parlance, many of the members of the Water Systems Council are indeed "small business."

Our industry has devoted its resources and efforts for over 30 years toward bringing people living in rural areas of this country ample, reliable quantities of pure and wholesome water to supply both agricultural and domestic needs.

We have also provided the committee with a few copies of a handbook which is one of our projects and which is now in its fourth edition, which describes and is typical of some of the work which this council has done in attempting to bring to America complete information on the design, installation, and operation of water systems.

We are keenly aware that rural water use, excluding irrigation, has more than doubled in the past 25 years. Steadily increasing demands can be anticipated as more and more rural families begin using automatic washers, dishwashers, and garbage disposals, and as more farmers begin taking advantage of automated water services for liquid manure handling, liquid feeding, environmental control, and similar modern farming techniques.

It is apparent that there must be a coordinated and well-planned approach among governmental and private agencies if means are to be devised for solving economically and effectively the myriad of problems posed by steeply rising water demands. Such cooperation must exist at National, State, and local levels. The Water Systems Council is firmly committed to applying its energies, abilities, and personnel in the years ahead toward this goal.

It is for this reason that we appear today.

Our interest is limited to that part of S. 1766 which relates to water facilities.

At the outset we would like to make it clear that the Water Systems Council endorses the basic concept of S. 1766, that Federal assistance is

appropriate to bring improvements in water supplies at a reasonable cost to rural residents who are unable to, or to the extent that they are unable to, themselves finance such improvements. The Consolidated Farmers Home Administration Act of 1961, as amended, has established the framework for carrying out this basic concept. Sections 302, 303, and 304 of this act authorize loans or the insurance of loans to individuals who own and operate farms, live on farms or are farm tenants for purposes of development and improvement of water facilities where no other credit is available to them. Section 306 of this act as it presently reads also authorizes loans or the insurance of loans to associations, not-for-profit corporations and public or quasi-public agencies operating as a water district to develop and improve the facilities supplying water to farmers and rural residents where credit is not otherwise available and financial assistance is needed.

S. 1766 proposes to fill a gap in this existing legislation. It proposes to authorize grants to such water districts where, as we understand it, the development costs are so high that they cannot be financed on a sound basis through loans, and grants are necessary in order to supply water through water districts on an economically feasible basis.

We recognize the need for filling this gap and support this concept. However, we suggest that the problem is still not solved and that the bill does not go far enough to accomplish its objectives in three particulars.

First, it does not solve the problem of the individual whose water supply is inadequate and who is not part of a water district and who is unable to improve his water supply through a loan or insured loan as authorized under sections 302, 303, and 304 of the act.

Second, the bill does not establish or require the establishment of guidelines or standards of economic feasibility which will assure the most economical use of the Federal funds available to accomplish the objective we all endorse.

Third, the bill does not establish or require the establishment of technical and engineering standards to assure proper construction of the facilities being financed.

Senator AIKEN. It seems to me they have made fairly reasonable loans in some of the areas which have potential for growth. But it is the cost in the areas where it would be \$15 to \$20 a month that I am most concerned with. Some of these run \$1,000 per family with the interest coming to \$5 a month.

Mr. SNELL. Mr. Chairman, this is a matter of great importance to the private water systems industry. We think we have some important recommendations to make to implement this legislation to accomplish the objectives that I understand 93 Senators have endorsed.

The CHAIRMAN. You will have to amend the bill considerably to perform what you are proposing.

Mr. SNELL. That is right.

(Discussion off the record.)

Senator AIKEN. Will you proceed, Mr. Snell?

THE ROLE OF THE PRIVATE WATER SYSTEM

Mr. SNELL. S. 1766 reflects a misunderstanding or lack of information of which our industry is becoming painfully aware. The misunderstanding is that a public or community water system supplying water

to a number of users from a single source is preferable to a source of supply which is private and supplies only one user.

I would like to refer to the letter the chairman introduced in the record from the Department of Agriculture and the comment on page 1 to the effect that "in many parts of the country the only solution to the rural water problem is a large central system." We believe this is inaccurate. We believe that there are few, if any, areas in the country where the only solution to the rural water problem is a large central system. It may be a solution, and in some instances it may be the best solution, but we do not believe it is the only solution.

One page 11 of the statement of the Administrator, the statement appears that "many rural people never will have running water" if they do not receive this Federal assistance. Now, this overlooks the possibility of a private system which can supply that running water to rural residents. This concept undoubtedly reflects the image of the windmill and hand pump. The water systems industry is frank to accept responsibility for allowing this misconception to exist. Our public relations have been inadequate. We have not done an effective job in making people aware of the modern private water system. What we say is not in criticism of those who support this concept, but a confession of our own failure to tell our story.

Senator AIKEN. You are referring to a community or individual water system?

Mr. SNELL. The concept that the community system is the only answer to the problem. We admit that we have somehow allowed this concept to develop and we do not criticize those who support this concept that the only answer is a central system. The fact is that the water systems industry has not gone to seed. When electricity was brought into farms and rural areas a water systems revolution occurred as significant in rural America as replacement of the horse-drawn plow with the tractor.

For the committee to fully understand the suggestions and recommendations which we would like to make, I would like to, at this point, ask Mr. Fred Hout to say a few words to the committee about the modern private water system.

Senator AIKEN. Mr. Hout?

STATEMENT OF FRED B. HOUT, CHAIRMAN, LEGISLATIVE COMMITTEE, WATER SYSTEMS COUNCIL, MANSFIELD, OHIO

Mr. HOUT. Thank you. I will make this very brief. I have a prepared statement which I would like to present and would just like to thumbnail it very quickly here, not imposing on your time any longer than necessary.

I am president of Barnes Manufacturing Co. We have about 500 employees in plants scattered around. We have been building pumps since 1895.

I think if I could try to put this in perspective very quickly, it is this. That there is misunderstanding regarding the merits of central supply versus individual supply. I would like to make this positive statement. That individual supply is equal to and in many cases better than central supply.

We made a lot of progress over the last 25 years. Back in the thirties when we had the rural electrification about 50 percent, a third of these places had a power water system, electric water system. Then up came REA with its fine job, and you will find that pump installers and dealers followed them right down the country roads for connections and sold water systems so that today approximately 80 percent of the electrified farms have individual water systems, some 10 million throughout the country.

After World War II there were about 600,000 systems sold a year, individual. Today we are in the range of 900,000, and there has been tremendous progress over this period of time.

I would like to point this out to you. That it is reasonable to say that an individual water system affords unlimited quantities of water and pressure provided an adequate well has been drilled. This is the key to it, a correct well, and the proper and appropriate selection of the individual system.

This progress and design of pumps for domestic water systems over the past quarter century equals that of the most sophisticated electro-mechanical products available in our present day economy. We have come a long way since the early days of the hand pump.

This red unit you are looking at is a hand pump. It happens to be produced by my good friend over here currently. However, I think the market is primarily export for the developing countries.

Now, I would like to show you very briefly the present concept in water systems with its full flexibility. This is the pump that goes in the well. Attached to it is a motor. It goes in a 4-inch well. These are staggers, impellers that move the water up in pressure progressively so that the depth is adjustable, so that you can have 60, 80 pounds pressure or whatever, and the capacities that you might require.

This is really a marvel of modern engineering, and a top piece of efficiency, and it has some very distinct advantages over the other method of central supply.

Now, we happen to be building booster pumps, and we find repeatedly a demand for booster pumps to step up the pressure of someone's central supply. This idea of central supply being perfection is highly overrated. The proper selection of an individual system will do the job better.

Now, I would like to point out just a few advantages very briefly.

No. 1, unlimited quantities, flexibility, the capacity and pressure you want as an individual is yours with the proper selection.

No. 2, installation flexibility anywhere. You can go from the center of the community as far out as you like and you have that flexibility of your own individual well. You have the electric available, and this had to be conducted by the small wire. But the point is this. That water is a bulk commodity, and it might better be produced at its point of use, and it happens to be available generally throughout America.

Senator AIKEN. What would be the cost of an 800-foot well?

Mr. HOUT. An 800-foot well would be a thousand dollars or so.

Senator AIKEN. A thousand dollars? Do you mean \$1 a foot?

Mr. HOUT. I have some figures here.

Senator AIKEN. They charge \$8 up in my neck of the woods.

Mr. HOUT. I have two figures here. Incidentally, 800 feet is a very unusually deep residential well.

Senator AIKEN. But in the community I am thinking of they have to go down 800 feet and hit water that does not qualify, too much sulfur in it.

Mr. HOUT. You have got to keep this thing in some of these relationships. If it is good for central, it is good for individual and conversely.

Senator AIKEN. Supposing they can construct a reservoir up on the hill to supply the community. Do you still recommend pumps?

Mr. HOUT. Let us look at the drop situation as of today in New York State. You know the problem. But with the individual system and this unit, once it is installed, it can be lowered with lowering water table if that is the problem. It is the flexibility.

Senator AIKEN. You do not have to sell me. There is a wonderful market for a pump of that type and drilling wells, but there is also a great need for other types of water supplies.

Mr. HOUT. Agreed. All we are asking for today is equal consideration.

Senator AIKEN. And I have in mind a community in my own State where in the private water system the pipes got rusty. Everything had to be replaced. The owner did not want to do it. They were not paying them anything. So the townspeople got together and brought them out, and I would say in the last 3 or 4 years there have been 80 to 100 residential sites that have been bought on the hills around that town which are not covered by the village water system, and where you might find a good market for those purposes.

Mr. HOUT. Yes. Now there are some horrible examples both ways today. But let me just quickly hit a couple of points.

The dispersion of individual wells conserves our ground water resources, and this is an invaluable resource for reserves. Now, it has been stated authoritatively that individual deep wells is the only safeguard against radiation fallout in the case of atomic attack because surface piping from central systems, the network throughout the area, is subject, of course, to this contamination. Independent water systems are the best protection.

Senator AIKEN. You mean that would eliminate the outdoor water supply then.

Mr. HOUT. The outdoor.

Senator AIKEN. I have been on the Atomic Energy Committee for about 8 years. I have heard that.

Mr. HOUT. That problem.

Senator AIKEN. Oh, yes; I have heard of that problem.

Mr. HOUT. Whereas if you are going right straight down, from your point of view there is a better chance of avoiding that contamination.

Senator AIKEN. There is a better chance of avoiding fallout.

Mr. HOUT. Are you not right. You are so right.

Now, regarding the sporadic drops that occur, I have mentioned this, the flexibility, that individually you can adjust. And water tables seem to vary from farm to farm et cetera. We have this flexibility to handle that whereas the reservoir for New York State—you cannot have a glass of water in a restaurant today, and so on.

Now, the economic feasibility. Generally the individual water system is lower in first costs, and there are variables here, but to give you two examples very quickly, a shallow well system—and by this we mean 25 feet or less, a small unit—installs complete for \$168.

Senator AIKEN. How much?

Mr. HOUT. \$168. I took an example of 150 feet of depth with a submersible type unit, and that complete unit is \$941.

Senator AIKEN. How deep is that?

Mr. HOUT. 150 feet, \$941.

Senator AIKEN. The interest on that is a little under \$5 a month. What about the electricity costs?

Mr. HOUT. We took this and worked it out in cost of operation. We are talking first cost originally. Now, let us talk cost of operation. We took maintenance of 5 percent per year. We took depreciation of one-twelfth per year, depreciating it over a 12-year period which is very generous because 15 to 18 years is not at all uncommon. We took the cost per kilowatt-hour of 3 cents from this one study, and the operating cost ranged between 26 and \$1.02 per thousand gallons. Now this mind you is delivered at the tap, no additional distribution costs.

Senator AIKEN. \$1.26 per thousand gallons?

Mr. HOUT. 26 cents to \$1.02.

Senator AIKEN. To \$1.02.

Mr. HOUT. That was the range from the smaller to the larger unit.

Senator AIKEN. They can desalinate for that.

Mr. HOUT. Yes, but not distribute it. This is right at the tap, right in the house. This, I think, is a major point. And I think actually you had experience and we have had much of it that there is a self-proprietary interest of satisfaction in saying, "I have got this. I own it. This is my water supply. I can use it when I want to. No one tells me when I must turn it off," et cetera. This is worth something.

Well, now, very quickly, then finally, there are 50 or 60 manufacturers of pumps and another 50 or 60 of related equipment, accessories, et cetera. We have got throughout the country 44,000 plumbing contractors, 12,500 well drillers, 500 wholesalers. All of it amounts to about a half billion dollars annual payroll. In other words, it is a sizable and a progressive industry. My point is this in summary.

This progressive industry comprised of taxpaying citizens should not be penalized for the lack of individual responsibility and enterprise on the part of a limited number of people who apparently do not take advantage of the opportunity for having an economically sound, reasonably priced individual water supply system. If they are financially incapable of purchasing an individual pumping supply, then the Government grants and loans for individual systems should be offered.

Senator AIKEN. Do you think it would be reducing opportunity and income in the field of labor and manufacturing if you went in strong for public systems?

Mr. HOUT. Definitely.

Senator AIKEN. And they would get ruined just like the REA ruined all of the electricians, Westinghouse, and General Electric, and all those people? Did they get ruined when they put the rural electric lines into the rural communities where the utility companies said it would not pay?

Mr. HOUT. Look at the analogy though. You are talking about the Westinghouse equipment that uses the electric.

Senator AIKEN. They make pumps, too.

Mr. HOUT. No.

Senator AIKEN. Do they not?

Mr. HOUT. No.

Senator AIKEN. They used to.

Mr. HOUT. Well, many years ago; right, many years ago. But no, it helped their program. My point is this.

Senator AIKEN. Of course it did.

Mr. HOUT. You have got the basic electric that you need.

Senator AIKEN. I will guarantee this will give you five times as much business as you lose by it.

Mr. HOUT. I think that would be hard to see.

Senator AIKEN. You are doing darn well now or you would not be opposing change.

Mr. HOUT. We are not opposing change.

Senator AIKEN. People who are doing very well are likely to be very satisfied with present conditions. But there are a lot of people that are not doing very well, and they are not satisfied, and they live out in the rural communities, and if I did not know so many of them, I probably would not be so interested in this.

Mr. HOUT. You know, Senator Aiken, we are equally interested in those people. This is selfishly as good if we can get more of these systems installed by them and if it takes Federal grant, let us do it. Let us take care of these people, but do it the most economical way and a sprawling network of pipes over sparsely settled areas is not the economical approach to this problem.

Senator AIKEN. I guess you have made yourself clear.

Mr. HOUT. Thank you.

(Mr. Hout's statement in full follows:)

Mr. Chairman and members of the committee, my name is Fred B. Hout. I am president of Barnes Manufacturing Co., Mansfield, Ohio. Barnes manufactures and sells domestic and farm pumps and water systems. We have been in business since 1895 and employ 500 persons in our plants and sales offices. I am a past president and director of the water systems council, and chairman of the legislative committee of the council.

We appreciate the opportunity to present our thinking before this committee, and to discuss the role of private water systems in conserving and making the best use of our water resources for the good of our entire society.

The individual water system is equal and many times better than central water supply, and therefore deserves at least equal consideration—for a number of very valid reasons.

First, a quick look at the progress of individual water supply systems over the past 25 years indicates the rapid growth synonymous with the expansion of rural electrification. It might be said that "waterification" has followed right on the heels of rural electrification.

Prior to World War II, in the thirties, only some 50 percent of farms were electrified and approximately one-third of them were equipped with pressure systems. The rapid expansion of electrified farms during the late thirties brought electricity to approximately 90 percent by the beginning of the war. During the postwar period, the number of individual water systems installed moved up from an average of 600,000 per year to the current level of about 900,000 per year, and currently some 80 percent of all electrified farms now have individual water supply under pressure.

As to the adequacy of this water supply, it is reasonable to say that an individual water system affords unlimited quantities of water (providing an adequate well has been drilled) to meet the individual farm family's requirements.

Further, with proper well construction and correct selection of the pump, the individual system generally is better than central water supply—better in both capacity and pressures available for individual use. Generally, our ground water supplies throughout the Nation are adequate. If the depth and the construction of the well are proper, and the pump is appropriately selected, the result is a sound pressure system with capacities and pressures that exceed central supply. In fact, we at Barnes Manufacturing Co. have found that we sell many booster pumps for private use in central supply systems because the pressure on such system is not adequate.

The progress of product design and development of pumps for domestic water systems over the past quarter century equals that of the most sophisticated electromechanical products available in our present-day economy. We have come a long way from the early days of hand pumps for rural America.

I speak with experience, since my company produced some 3 million hand pumps in the earlier part of this century. After World War II, the ejector-type pump gained rapidly in acceptance and popularity because of its adequacy in capacity and pressures, and its economical cost to the consumer. In the early fifties, we found the introduction of the deep well submersible pump with its advantages—top efficiency (because it was submerged in the water), quiet operation, elimination of pump houses and pump pits, and many benefits. Then came the modern submersible pump. American manufacturers, through heavy development expense and ingenuity, developed submersible units that were lower in cost than the European imported products, better products in terms of durability and capability to sustain performance levels throughout the life of the product. Our American-made submersibles literally ran the imported pumps out of the country with one or two exceptions of European companies who set up manufacturing facilities in the States.

Today, the submersible water system produced for residential 4-inch wells is the most efficient (in terms of horsepower conversion into capacity—the flow of water—at desired pressures) of any residential mechanical device available for home or farm use, and it is available at very reasonable cost.

There are other reasons why the individual water system fills the individual farm water requirements better than central supply :

1. Individual water systems afford unlimited quantities of water to meet the increasing demands of water usage. Per capita per day use was 134 gallons in 1940, 150 gallons per day in 1960, and is estimated to be 168 gallons in 1970. Individual systems offer complete flexibility in terms of capacities and pressures to meet the varied demands of different families and farms.

2. It provides flexibility for installation everywhere, making housing available to more people because of lower cost land as they reach out from the center of population. Orderly expansion occurs because of this flexibility of water supply. All this can be accomplished without a network of costly piping, which is extremely impractical in sparsely settled areas.

3. The dispersion of a wide number of individual wells better conserves our ground water resources than the drilling of extremely large wells to serve a central system.

4. It has been stated authoritatively that individual deep wells would provide the only safe water supply to the American public in case of atomic attack, first, because of the multiplicity of water sources, and, second, because it eliminates the widespread network of surface piping required by central systems, which are susceptible to contamination from radiation fallout.

5. Independent water systems provide extra protection against fire hazards because of the assured availability of water at adequate pressures which can be applied immediately. Speed is the essential requirement for firefighting.

6. We recognize that sporadic droughts do occur. A modern water system can be readily adjusted to lowering water tables on an individual basis—far simpler than many central water systems, merely by lowering the pump in the well or by deepening the well.

7. Economic feasibility is a major consideration. Generally the individual water system is lower in original cost and cost of operation. Naturally, this varies with depth to water and other factors.

In original cost, one study made indicated installed cost of \$168 for a one-third horsepower shallow well system, and \$941 for a large system pumping water from a 150-foot depth. The average cost for a pump over the past 10 years has been reduced a minimum of 20 percent, indicating that an individual water system is one of the best “buys” in America today.

In the cost of operation evaluation on the basis of cost per 1,000 gallons of water, we found a variable of from 26 cents up to \$1.02. This was based on inclusion of 5 percent per year for maintenance cost of the pump, amortization, or replacement per year equal to one-twelfth the cost of the pump, and interest on investment of 6 percent per year. With all of these fixed charges, plus the power cost at 3 cents per kilowatt-hour, the total cost of 1,000 gallons ranged from 26 cents up to \$1.02. On a comparable basis, the cost of water from a central system is nearly \$2 per 1,000 gallons.

There is also an individual proprietary satisfaction in possessing one's individual water system, with never the concern for restriction on usage—no limitation on one's individual freedom of use.

The individual water system business is substantial. In addition to manufacturers producing pumps, there are many well supply manufacturers producing casings, drop pipe, fittings, pneumatic pressure tanks, etc. Beyond this, there is a vast number of component and material suppliers where hundreds of thousands of people gain their livelihood from the production of sheet steel, plastic pipe, electric motors, control devices, and many other ferrous and nonferrous metal materials and products.

Beyond the manufacture of the products are those engaged in marketing distribution and installation of these individual water systems. There are some 44,000 plumbing contractors in America, nearly 5,000 wholesalers, and 12,500 well drillers. These people totaling some \$2,300 are engaged in a business that produces \$493,800,000 in annual payroll. Altogether, this constitutes a fine effort of American enterprise in bringing quality water at reasonable prices through efficiently designed and manufactured pumping units to citizens throughout the country.

Certainly, this progressive industry comprised of taxpaying citizens should not be penalized for the lack of individual responsibility and enterprise on the part of a limited number of people who apparently do not take advantage of the opportunity for having an economically sound, reasonably priced individual water supply system. If they are financially incapable of purchasing an individual pump and well, then government grants and loans for individual systems should be offered—but without penalizing the vast majority of farmers who have and enjoy the advantages of their own water systems.

Mr. SNELL. Senator, may I complete the balance of my statement?

Senator AIKEN. I think the costs are very interesting there. The community in my State which has lost its dairy markets because of the quality of the water—and it is largely from wells—would have to pay, I suppose, \$18 a month, and they cannot do it. But if they once had water, they would grow. Maybe some of them would buy some wells or some of the other equipment you make. You make something else, too. Nobody makes just one article any more. You make sinks, do you not?

Mr. HOUT. No; only pumps. We are pump specialists.

Senator AIKEN. Why do you not go into the porcelain business?

Mr. HOUT. We make good engineered products.

Mr. SNELL. The problem toward which S. 1766 is aimed is how to bring adequate supplies of pure water to those in rural America who do not have it today. This problem should not be solved either haphazardly or in piecemeal fashion. It should be solved by finding ways to bring adequate supplies of pure water to those in rural America who need it in whatever way or whatever combination of ways prove to be most reliable, most economical, and most consistent with the particular community and particular geology and other particular circumstances existing in each community.

In seeking such a solution we urge the committee at the outset to discard any notion that the problem must be solved in one particular way. We urge the committee to seek a total solution to the total problem.

Now, to be specific, we suggest that a water supply system based upon a central source of water with distribution therefrom to the various users, may be an answer under some circumstances, and may not be the proper answer at all in still other circumstances. In a particular locality, depending perhaps upon in what geological formation and at what depth a reliable source of water may be available, and how many present and potential future users of water there are, and within what geographical area they are located, and other factors, the best solution to the problem may be a centrally located source of water with a distribution system supplying users who are located within a limited distance from the central source with improved, modern individual water systems supplying those in more sparsely located peripheral areas. We suggest that one water district can handle such a combined solution to the problem. The water district need not be committed solely to a central system. A water district can arrange for the installation of private systems or the improvement of private systems, handle the contracts, arrange for the financing, and charge to the individuals their share of the cost prorated over a period of time and financed collectively through the Farmers Home Administration by loans, insured loans, or partial grants.

In another locality the problem may not lend itself economically to a central water system at all. We have heard of one district where nearly 100 miles of distribution pipe was necessary to supply something over 100 customers. We have not been able to ascertain the details and therefore cannot comment on the technical feasibility of solving this particular problem by individual wells or improved individual wells. Obviously the situation is unusual, but perhaps the solution was not the best one.

In any event, circumstances certainly do exist where rural residents do not want a central system, where some or perhaps most have adequate individual water supplies and only a minority of the residents in the area have inadequate water facilities. Under such circumstances we suggest that the rural water district could solve the problem entirely by a collective or cooperative effort directed solely toward the installation of individual systems. The water district could then make the arrangements for drilling of the wells and for requiring compliance with proper construction standards. The participants would amortize this total investment over a period of years with financing through loans, insured loans, or partial grants by the Farmers Home Administration.

The final role that the individual water system can and should play in this total solution to the total problem is through individual action rather than through water districts. The law at present provides for loans and the insurance of loans to individuals for such purposes. However, from FHA publicity releases it appears that in some areas at least there is a lack of motivation among such individuals to seek such loans or a lack of financial ability to repay such loans even on the rather liberal FHA terms. Individuals in some areas of rural America are still tolerating inadequate water supplies for some reason. We doubt that this need is as widespread as has been suggested but recognize that it certainly does exist to some extent. Moreover, in some areas peculiar problems arise through no fault of the individual but because of major climatic conditions. New England and other

areas along the eastern coast have been suffering from a prolonged lack of rainfall which has lowered the water table. Undoubtedly this has caused hardship among many individuals whose wells and water systems were perfectly adequate but now are dry because the water table has dropped too far.

Provision should be made in the law to assist such individuals to solve these problems which are not of their own making by providing for grants for a portion of the cost of restoring wells to a satisfactory condition. Certainly in many instances the deepening of an existing well is the most economical and most satisfactory solution to the problem. Creation of a water district through organization of an association or corporation or quasi-public body of some description is in effect bringing in a bulldozer where a hand trowel is all that is needed.

In order to reduce the foregoing general principles to something concrete with which the committee can more readily deal, we have prepared some suggested amendments to the bill which are attached to my statement as appendix C. We have also included as appendix D a revision of the bill showing the portions which we suggest be deleted and the suggested inserts so that members of the committee may readily see our suggestions.

We offer the following suggested changes to bring the individual water system into the total solution of the total problem.

We suggest a definition of water facility, which appears as section 7 on page 86 of appendix D, and then we have substituted the words "water facilities" for the detail specified in subparagraph 2 on page 85. We also suggest the addition of a provision expressly including the authority to make grants to those individuals who are eligible for loans under sections 302 and 304 of the act. The credit limitations on such loans to individuals would be substantially the same as loans to associations. This would be accomplished by the addition of a sentence at the end of subsection (2) which appears on page 85 of appendix D.

FEASIBILITY STANDARDS

The Consolidated Farmers Home Administration Act of 1961 does not contain guidelines or standards of economic feasibility, nor are such standards spelled out in any regulations of which we are aware. Whether the Administration has specific guidelines or standards by which it determines whether a system is economically feasible we have not been able to determine.

We suggest that such standards should be developed. There are various aspects of economic feasibility. For instance, there is the total cost of development of a central facility, as against the cost of developing a central facility supplemented by individual facilities, and as compared with the cost of using individual facilities entirely. Then there are questions of the ability of the users to obtain other financing, ability of the users to repay the development cost together with the cost of operation without lowering their standard of living, the proportion of the total development cost which should be covered by a grant as distinguished from a loan, and whether the balance remaining to be covered by a loan is or is not within the economic capabilities of the users to repay.

From the statistics which we have been able to obtain, which are certainly by no means complete, it would appear that the Farmers Home Administration does not have any specific guidelines or standards for determining economic feasibility. We have included as appendix A such information as we have received showing the costs per connection of water district loans approved this year. It will be noted that these loans vary from \$270 per connection to more than \$2,000 per connection.

To give the committee an idea of the cost of private systems, we have included as appendix B some representative figures showing costs for a total water system together with amortization, maintenance, and operating costs over a 40-year period, which is comparable to the life of a section 306 water district loan. It will be noted that the total development cost varies from \$564 to \$941. It can readily be seen that the per connection development cost of many of the loans approved this year are not only in excess of this amount but are substantially in excess of this amount. We have been unable to obtain details as to these loans from which we can make a more specific analysis but if such information were available we would be glad to supplement our statement today with further comments and statistics.

It should also be noted that the total annual cost of the individual well may be a third or less of the cost of obtaining water from a water district. Again more detail is necessary for a comprehensive analysis which we would be glad to undertake if we were supplied the figures.

We doubt that this committee need concern itself with the details of economic feasibility. It is the committee's responsibility, however, to establish basic principles, of which we suggest there are two of an economic nature. First, the FHA approvals, be they loans, insured loans, or grants, should be limited to those which will accomplish the objective the most economically. Secondly, guidelines or standards of economic feasibility should be developed and uniformly applied.

We have suggested amendments to the bill which require that the Secretary determine with respect to every loan, insured loan, or grant that it is economically feasible and that standards for economic feasibility be developed taking into consideration various fundamental criteria. The requirement of economic feasibility appears as subsection (3) (iv), page 4 of appendix D. The requirement that standards be established appears in section 4 and certain basic criteria to be considered are set out in section 4(b) of appendix D respectively.

MINIMUM CONSTRUCTION STANDARDS

The third suggestion of water systems council is that all facilities installed with Farmers Home Administration financing should meet certain minimum construction standards. It is unwise from every viewpoint to construct substandard water facilities.

We are concerned that some of the water district systems which have been constructed to date with FHA financing have failed to meet commonly accepted construction standards and have been inadequately designed to meet contemplated demands.

The rural water district program is administered with a view to providing service to the maximum possible number of residents within the area encompassed by a proposed system. While this objective

is laudable, the sparseness of the population along the periphery of these systems, and sometimes throughout the system, makes it difficult to design a system which is economically practical. The result we understand in some instances has been a compromise of the engineering principles in favor of economic requirements. For example, in one instance 8,300 linear feet constituting 41 percent of an entire distribution system was constructed with 2 $\frac{1}{4}$ -inch pipe. The State board of health's requirement considered the capacity of a 2 $\frac{1}{4}$ -inch pipe so limited that it permits the use of such pipe to a maximum extent of 3,000 feet in one system (or 6,000 feet where a branch line connects with a larger main). Such a system as installed is not only substandard at the outset but has no flexibility to respond to an increase in demand for additional connections.

This same engineering plan proposes to use 4,000 linear feet of galvanized service lines and 4,550 linear feet of copper service lines connecting the water main to the meter box on the property line. The State board of health has found that soil conditions similar to that in the area involved will deteriorate the galvanized pipe within a period of 15 years on the average. Thus despite a 40-year term loan, a substantial part of the service lines will have to be replaced every 15 years, or approximately three times during the life of the loan. Moreover, the use by the system of 1 $\frac{1}{2}$ -inch galvanized pipe for service lines will encourage the homeowners to use the same size and type of pipe to run lines from the meter box into the home. Periodic replacement of this pipe will be the responsibility of the property owner who may or may not be aware of his problem.

We suggest that maximum standards should be prescribed to eliminate such conditions or the peripheral areas which cause the problem should be provided with modern individual systems. In all probability if this had been done the heart of the central system could be constructed with adequate size mains to permit future expansion and the property owner would be cognizant of his responsibility with respect to his individual well.

We do not limit the suggestion of compliance with adequate construction standards to central systems but believe that there should also be construction standards required for individual systems. It was in recognition of this fact that the water systems council during the past year has actively participated as a member of the Surgeon General's Ad Hoc Advisory Committee to draft model legislation providing for adequate planning for water systems and proper water well construction and pump installation standards.

We also understand that in some instances financial projections for the water district contemplate, increases in the number of connections several times the initial number but do not incorporate such anticipated growth in the system's design characteristics. Therefore even though the system is adequately designed to meet minimum construction standards with the number of initial connections anticipated, the system as designed is totally incapable of fulfilling the demand which will be imposed by contemplated growth.

A number of groups concerned with community planning have expressed grave concern at the inadequacy of rural water districts generally to supply the increased water demands which many of them will face over the next several decades.

At its 1964 annual meeting, the Tennessee Municipal League took a strong stand in opposition to the rural water district program because of its failure to coordinate the construction of water systems with the development of other community facilities in a manner insuring orderly future growth. A policy statement released by the Tennessee organization reads as follows:

The requirements of farmers and others in rural areas for pure water through public utility systems should be supplied by municipal and county governments. It is imperative that all governments involved—whether Federal, State, or local—apply the same standards to new commercial, residential subdivision, and house-and-lot development along rural water lines as those applied in and around urban communities. This must be done in order to prevent sprawling, substandard development eventually reaching urban densities, which has proven so costly to tens of thousands of Tennessee property owners and scores of Tennessee towns and cities in the past.

At its 1965 meeting completed just a week ago, the organization renewed its opposition to rural water districts, which it described as “cancerous shadow governments.” The league pledged to fight creation of new districts by obtaining legislation preventing the formation of such districts without proper safeguards (the Nashville Tennessean, June 9, 1965, at p. 5).

Similar opposition has been voiced by the American Municipal Association (now known as the National League of Cities). In 1964, the annual American Municipal Congress adopted a policy statement criticizing “certain Federal programs” which “encourage undesirable sprawl” because they “(1) do not take into account population trends; (2) are not required to meet adequate standards; (3) require or permit the creation of special districts that bypass general governments; or (4) are not part of a plan that takes into account how the particular program will affect the overall growth of the area. Among Federal agencies involved in these practices in the fields of public facilities and urban housing are: Farmers Home Administration
* * *

To implement these general suggestions we have submitted specific amendments to the bill which would require a finding by the Secretary that facilities constructed with FHA financing be constructed in accordance with minimum standards. This appears as subsection (3)(v) on page 4 of appendix D. We have also included a provision that the Secretary prepare regulations setting forth minimum construction standards and setting out certain criteria to be considered by the Secretary in the development of such standards. These provisions appear in paragraphs 4 and 4(a) on page 4 of appendix D.

ADVISORY COMMITTEES

As with matters of economic feasibility, the details of construction standards are matters with which this committee need not concern itself. However, we suggest that this committee should authorize the establishment of an advisory committee or advisory committees to assist the Secretary in developing proper standards of both economic feasibility and construction. We therefore have suggested an amendment to include such a specific authorization which appears in subsection (5)(a) on page 5 of appendix D.

We believe that recommendations as to appropriate standards can best be formulated by representatives of industries concerned, governmental bodies, professional groups, educational institutions, and other organizations sitting down together and exchanging their views.

CONCLUSION

The Water Systems Council endorses the basic concept that Federal funds be made available to assist farms and rural residents in obtaining adequate supplies of potable water where credit is not otherwise available. We believe that a total solution to the total problem should be formulated which will make possible development of the most economical means of providing said water facilities. Central systems should be used where they are economically feasible, individual systems should be used where they offer the best solution, and a combination of the two is a possibility which also should be considered under appropriate circumstances.

The construction of such facilities should not only be based on determinations as to economic feasibility but construction in accordance with minimum standards consistent with sound engineering principles and future needs of the community should in all cases be required. We believe that the Secretary should be specifically directed to formulate both standards of economic feasibility and construction standards and authorized to establish advisory committees to assist in their formulation.

Suggested amendments to carry out these basic suggestions are attached to our statement.

Our position is not naked. What we are saying is not opposing your idea. We have four suggestions to make, and they are this.

We believe that where it is most economical to bring a community system into existence with the assistance of Federal financing, be it loans, insured loans or grants, then that system should be created, a central system, but where on the peripheries of concentration of population it is not economically feasible to extend the community system to that extent, then we believe that the private system should be the answer where this is the best answer, and that if people cannot afford to put it in themselves, they should have the assistance of the Federal money be it through loans or insured loans which they now have, or by grants in part which we suggest be included in this bill.

Now, there are circumstances where a private well is a better answer than a central system.

Senator AIKEN. There is no question about it.

Mr. SNELL. For example, we heard of one example where there was over a hundred miles of pipe and it was run to serve something over 100 families. This may be a very unusual situation, but that is a lot of pipe.

Senator AIKEN. Or they are very well-to-do families.

Mr. SNELL. For that few families. And so we believe that provision should be made, not to counteract the suggestion you have made but to go beyond that, to make it possible for those who should have individual systems to get them.

Our second suggestion is that we believe that there should be—that the Administrator should be required to develop standards of

economic feasibility which are uniformly provided to make the determination of where the money should go and where it can best be used. We suggest to this committee that the Administration does not now have such standards. They are more or less playing this as circumstances develop.

Senator AIKEN. Do you think Community Facilities could handle it better?

Mr. SNELL. Well, I do not think that is the question, and I do not think I am prepared to answer that, Mr. Chairman. I do not know.

I am not criticizing the way the Farmers Home Administration is handling this. This is a new program. When they suggested earlier today that they have had only a fraction of default on their loans, I think the thing that was overlooked in that statement is that of the 883, I believe they said loans, which had been made to associations so far, 783 of them, I believe is the figure, of those loans had been made in the last 30 months. Only 116 I know were made in 1961 and 1962. Most of them have been made in the last 30 months. And as I understand the way these districts are built, those who subscribe to it have to make payments for 30 months, whether they want to go ahead with it or not.

The real critical question is what is going to happen after the 30 months are up. We have not reached that stage for most of the loans that are now outstanding to associations, and I think that that point will be developed a little bit further, and it may be very interesting.

So we think there should be standards of economic feasibility developed by the Administrator to make these determinations that the Congress is asking them to make in making these loan standards.

Our third point is we think that there should be standards of construction established by the Administrator as to how these systems are put in, because it is our information that substandard construction is being put in that may be all right today, it may be all right tomorrow, but it is not going to be all right the day after tomorrow, and if this is what Federal money is being used for, we think it is being misused—if it is being used, to the extent that it is being used, to put in substandard construction.

Our final point, Mr. Chairman, is that we recommend that the Administrator be authorized to establish advisory committees to advise him on the formulation of these standards.

Those are our suggestions. We have reduced them to specific recommendations as amendments to the bill, and we have attached as an appendix D to our statement a rewriting of the bill so it clearly shows what additions we suggest and what deletions we suggest in the bill to accomplish these objectives. We would urge that if the Administration's suggestion that section 1 of the bill not be passed at this time, we suggest that the amendments which we offer be included in whatever is passed because we feel very strongly that it is high time that standards be established before the money is spent that the Administration is requesting and which would be approved in the other sections of this bill.

(The attachments to Mr. Snell's statement follow:)

APPENDIX A

In news releases dated March 15 and April 29, 1965, the Department of Agriculture announced that during the first 3 months of 1965, 104 loans totaling \$18,759,100 were made in 21 States for the construction of community water systems (USDA 809-65, 1342-65). The releases list the districts for which loans were approved, the amount of the loans, and in most cases, the number of families to be served by the systems. This appendix sets forth the information contained in the releases and also sets forth the average cost per family of the systems to be constructed:

	<i>Average cost per family</i>
Alabama:	
Greenpond Community, Bibb County, \$78,000, 115 families-----	\$678
Huguley Water System, Chambers County, \$485,000, 700 families--	693
Isbell Water System, Franklin County, \$44,000, 48 families-----	917
Town of Webb, Houston County, \$54,000, 65 families-----	831
Town of Excel, Monroe County, \$130,000, 130 families-----	1,000
Plantersville Water Authority, Dallas County, \$132,000, 140 families--	943
Arkansas:	
Town of Viola, Fulton County, \$5,500-----	(¹)
Town of Omaha, Boone County, \$60,000, 78 families-----	769
Sunset Water Association, Crittenden County, \$41,000, 90 families--	455
Town of Fouke, Miller County, \$77,000, 85 families-----	906
Town of Sherrill, Jefferson County, \$82,000, 100 families-----	820
California: LeGrand Mutual Services, Merced County, \$112,500, 160 families-----	703
Colorado:	
4-Mile Domestic Water System, Chaffee County, \$30,000, 111 families--	270
Briggsdale Water Co., Weld County, \$34,000, 25 families-----	1,360
Florida:	
Lake Harney Water Association, Inc., Seminole County, \$1,800----	(¹)
The Island Water Association, Inc., Lee County, \$795,600, 500 families-----	1,591
Okeechobee Water Association, Inc., Okeechobee County, \$325,000, 320 families-----	1,015
Horseshoe Beach Water Association, Dixie County, \$80,000, 120 families-----	667
Georgia:	
Town of Surrency, Appling County, \$45,000, 67 families-----	672
Town of Cecil, Cook County, \$30,000, 52 families-----	577
Town of Mineral Bluff, Fannin County, \$46,200, 47 families-----	983
Town of Tyrone, Fayette County, \$65,000, 75 families-----	867
Illinois: Union-York Water District, Clark County, \$205,000, 250 families--	820
Indiana: Vienna Water Company, Inc., Scott County, \$77,000, 80 families--	962
Kansas:	
Rural Water District No. 3, Doniphan County, \$126,000, 92 families--	1,370
Rural Water District No. 1, Franklin County, \$150,000, 110 families--	1,363
Rural Water District No. 3 (Monticello) Johnson County, \$374,000, 182 families-----	2,055
Rural Water District No. 1, Miami County, \$180,000, 143 families----	1,259
Louisiana: Village of Hornbeck, Vernon County, \$118,000, 144 families--	813
Mississippi:	
Black Jack Water System, Oktibbeha County, \$59,000, 55 families----	1,073
Falkner Development Association, Tippah County, \$73,000-----	(¹)
Metcalfe Water Association, Washington County, \$50,000, 100 families-----	500
Shady Grove Water Works Association, Jones County, \$180,000, 200 families-----	900

Footnote at end of table.

APPENDIX A—Continued

	<i>Average cost per family</i>
Mississippi—Continued	
College Hill Water Association, LaFayette County, \$2,500-----	(¹)
Sessume Community Water Association, Oktibbeha County, \$75,000, 60 families-----	1, 250
Bovina Water Club, Warren County, \$172,000, 160 families-----	1, 075
Buckatunna Water Association, Inc., Wayne County, \$65,000, 44 families-----	1, 477
Pleasant Hill Water Association, Desota County, \$144,000, 100 families-----	1, 440
Belen Water Association, Quitman County, \$45,000, 40 families-----	1, 125
Craig Springs Water Association, Oktibbeha County, \$73,000, 62 families-----	1, 177
Dancy Water Association, Webster County, \$35,000, 29 families-----	1, 206
East Lowndes Water Association, Lowndes County, \$1,000,000, 830 families-----	1, 205
Glade Water Works Association, Jones County, \$252,000, 260 families--	969
Nesbit Water Association, DeSoto County, \$136,000, 96 families-----	1, 417
Powers Community Waterworks Association, Jones County, \$197,000, 170 families-----	1, 159
Renova Water Corp., Bolivar County, \$45,000, 50 families-----	900
Stewart Water Association, Montgomery County, \$66,000, 78 families--	846
Stringer Water Association, Jasper County, \$174,000, 130 families---	1, 338
Hermanville Community Water Association, Inc., Claiborne County, \$77,000, 60 families-----	1, 283
Soso Community Water System, Inc., Jones County, \$105,000, 115 families-----	913
Missouri:	
Public Water District No. 1, Greene County, \$131,000, 110 families--	1, 191
City of Bertrand, Mississippi County, \$125,000, 150 families-----	833
Public Water District No. 3, Platte County, \$199,000, 115 families--	1, 730
New Mexico:	
Valley Water Users Corp., De Baca County, \$180,000, 89 families----	2, 022
Cuba Water Users Association, Sandoval County, \$120,000-----	(¹)
New York:	
New York: Yorkshire Water Association, Cattaraugus County, \$55,000, 135 families-----	407
North Carolina:	
Cricket-Millers Creek Water Association, Inc., Wilkes County, \$850,000, 800 families-----	1, 063
Moravin Falls Water Association, Inc., Wilkes County, \$30,000-----	(¹)
Oak Hill Water System Corp., Burke County, \$465,000, 500 families--	930
Triple Community Water Corp., Burke County, \$644,000, 574 families	1, 122
Etowah Water Association, Inc., Henderson County, \$250,000, 200 families-----	1, 250
Dan River Water, Inc., Rockingham County, \$922,750, 910 families--	1, 014
Oklahoma:	
Rural Water District No. 3, Washington County, \$674,750, 490 families-----	1, 377
Lone Grove Water and Sewage Trust Authority, Carter County, \$158,500, 156 families-----	1, 016
Big Cabin Public Works Authority, Craig County, \$110,000, 104 families-----	1, 057
Rural Water District No. 1, Cherokee County, \$110,000, 81 families--	1, 358
Rural Water District No. 3, Creek County, \$190,000, 188 families----	1, 011
Rural Water District No. 1, McCurtain County, \$313,030, 275 families-----	1, 138
Rural Water District No. 2, Mayes County, \$400,000, 300 families----	1, 333
Rural Water District No. 1, Nobel County, \$49,200, 37 families-----	1, 330

Footnote at end of table.

APPENDIX A—Continued

	<i>Average cost per family</i>
Oklahoma—Continued	
Rural Water District No. 2, Pontotoc County, \$146,000, 80 families__	1, 825
Rural Water District No. 2, Rogers County, \$140,000, 110 families__	1, 273
Rural Water District No. 1, Tulsa County, \$82,000, 90 families----	911
Rural Water District No. 1, Wagner County, \$60,000, 52 families----	1, 154
Rural Water District No. 1, Washington County, \$168,000, 138 families-----	1, 217
South Dakota: City of Oldham, Kingsbury County, \$164,000, 150 families-----	1, 093
Tennessee:	
Highland Rim Utility District, Lincoln County, \$502,800, 450 families-----	1, 117
Hornbeck Utility District, Obion County, \$152,910, 135 families__	1, 133
Stone's River Utility District, Rutherford County, \$680,000, 680 families-----	1, 000
Iron City Utility District, Lawrence County, \$150,000, 145 families__	1, 034
West Point Utility District, Lawrence County, \$82,500, 80 families__	1, 031
Northwest Dyersburg Utility District, Dyer County, \$291,000, 277 families-----	1, 050
Tuckaleechee Utility District, Blount County, \$716,000, 700 families__	1, 023
Texas:	
Ben Wheeler Water Supply Corp., Van Zandt County, \$60,050, 57 families-----	1, 053
Ebenezer Water Supply Corp., Rusk County, \$60,000, 47 families----	1, 276
Tryon Road, Gregg County, \$120,000, 115 families-----	1, 043
Edom Water Supply Corp., Van Zandt County, \$108,000, 95 families	1, 136
Sammerwood Water Supply Corp., Collingsworth County, \$225,000, 121 families-----	1, 859
Prairie Hill Water Supply Corp., Limestone County, \$1,800-----	(¹)
BBS Water Supply Corp., Anderson County, \$115,000, 88 families----	1, 306
Slocum Water Supply Corp., Anderson County, \$68,760, 50 families__	1, 375
Flat Water Supply Corp., Coryell County, \$83,000, 82 families-----	1, 012
Crystall Clear Water Supply Corp., Guadalupe County, \$775,000, 595 families-----	1, 297
Green Valley Water Supply Corp., Guadalupe County, \$250,000-----	(¹)
Crescent Heights Water Supply Corp., Henderson County, \$94,000, 82 families-----	1, 146
Parker Water Supply Corp., Johnson County, \$135,000, 107 families__	1, 261
EOL Water Supply Corp., McLennan County, \$78,000-----	(¹)
Sacul Water Supply Corp., Nacogdoches County, \$62,200, 54 families__	1, 151
Bagwell Water Supply Corp., Red River County, \$45,500, 40 families	1, 137
View Cape Water Supply Corp., Taylor County, \$44,650-----	(¹)
Martins Mill Water Supply Corp., Van Zandt County, \$35,000, 30 families-----	1, 166
Utah: Eden Water Works Co., Weber County, \$17,000, 16 families-----	1, 062
Washington:	
Marshland Water Association, Snohomish County, \$2,100-----	(¹)
West Mesa Domestic Water System, Franklin County, \$57,000, 25 families-----	2, 280

¹ These associations had borrowed funds previously.

APPENDIX B

Private water system cost analysis

	Depth of water level and type of pump		
	50 foot (jet)	100 foot (jet)	150 foot (submersible)
Equipment costs:			
Pump.....	\$154.00	\$180.00	\$331.00
Well.....	300.00	400.00	450.00
Installation.....	110.00	160.00	160.00
Total.....	564.00	740.00	941.00
Annual costs:			
Maintenance (5 percent).....	7.770	9.00	16.55
Replacement (1/12).....	12.83	15.00	27.58
Power (at \$0.03/per kilowatt-hour).....	9.67	25.90	9.67
Total.....	30.20	49.90	53.80
Total cost over 40 years:			
Equipment costs.....	564.00	740.00	941.00
40 X annual costs.....	1,208.00	1,996.00	2,152.00
Total.....	1,772.00	2,736.00	3,093.00
Average yearly cost.....	44.30	68.40	77.32

APPENDIX C

S. 1766: SUGGESTED AMENDMENTS BY WATER SYSTEMS COUNCIL

The Water Systems Council respectfully suggests that S. 1766 be amended as follows:

1. Page 2, line 15, after the word "associations", insert the phrase "and to individuals eligible for loans under section 302 or 304 of the Act".
2. Page 2, lines 15, 16, and 17, strike the words "specific projects for works for storage, treatment, purification or distribution of water in rural areas", and insert in lieu thereof "water facilities".
3. Page 2, line 18, after the word "paragraph", insert the words "to any such association".
4. Page 2, line 23, strike out the words "costs which are" inserting in lieu thereof the words "cost which is".
5. Page 3, line 6, after the word "law", insert the word "and".
6. Page 3, line 7, insert a new sentence to read as follows: "The amount of any grant made under authority of this paragraph to any eligible individual shall not exceed the lesser of (i) 40 per centum of the development cost of that portion of the facility reasonably necessary to enable the facility adequately to serve the reasonable needs of such individual; or (ii) that portion of the development cost which is above the probable ability of such individual to repay a loan for such purposes and maintain a reasonable standard of living".
7. Page 3, line 8, strike out all of line 8, inserting in lieu thereof "No loan or grant shall be made to or loan insured for an association under paragraph 1 or 2 of this".
8. Page 3, line 16, strike out the word "or".
9. Page 3, lines 16-18, strike out the words "necessary for orderly community development consistent with a comprehensive community water development plan of the rural area and".
10. Page 3, line 22, insert before the period a comma and "(iv) is economically feasible, and (v) will be constructed in accordance with minimum standards".
11. Page 3, lines 22-25, strike the sentence "Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area."
12. Page 4, before line 1, insert new subsections (4) and (5) to read as follows:
"(4) In order to carry out the purposes of subsections (1), (2), and (3) of this section, the Secretary, after reasonable notice and public hearing, and consultation with an appropriate advisory committee established pursuant to subsection (5) of this section, with other Federal agencies, with State and interstate public health agencies and planning bodies and with municipalities and in-

dustries involved, shall prepare regulations setting forth minimum construction standards and standards of economic feasibility applicable to any water facility with respect to which a grant, loan or insurance of a loan is authorized by this Act. Such standards shall be designed reasonably to protect the public health or welfare and to serve the purposes of this Act.

"(a) In establishing such minimum construction standards the Secretary shall take into consideration the length of time use of such water facilities is contemplated, the possibility of their integration into other community facilities, their adequacy to provide for future water needs of the area and of the persons residing therein, and other factors relevant to the purposes of this Act.

"(b) In establishing such standards of economic feasibility, the Secretary shall take into consideration the overall cost of such water facilities, their capability to provide an adequate supply of water at reasonable cost, the adequacy of existing facilities, the possibility and cost of improving existing facilities, the cost of alternative types and combinations of types of facilities, and other factors relevant to the purposes of this Act.

"(5) (a) The Secretary is authorized to establish an advisory committee or committees to assist him in the development of minimum construction standards and standards of economic feasibility applicable to water distribution facilities, and to advise him on other matters relating to such facilities, and each such advisory committee shall include among its members persons from industries, organizations and governmental bodies directly interested in, affected by or otherwise qualified to advise on the subject matter to be considered.

"(b) Each member appointed to such a committee from private life may be paid travel expenses and per diem in lieu of subsistence at the rates authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2)."

13. Page 4, line 1. Renumber subsection (4) to subsection (6).

14. Page 4, line 5. Insert a new subsection (7) to read as follows:

"(7) The term 'facility' shall include any public or private water supply system, or any combination of such systems, together with any storage, treatment, purification, or distribution system in connection therewith."

15. Page 4, lines 5, 11, and 18. Renumber subsections (5), (6), and (7) to (8), (9), and (10).

APPENDIX D

S. 1766: INCLUDING REVISIONS SUGGESTED BY WATER SYSTEMS COUNCIL AT HEARING ON JUNE 18, 1965

A BILL To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

"(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

"(2) The Secretary is authorized to make grants aggregating not to exceed \$25,000,000 in any fiscal year to such associations *and to individuals eligible for loans under Sections 302 or 304 of the Act to finance specific projects for works for the storage, treatment, purification, or distribution of water in rural areas water facilities.* The amount of any grant made under the authority of this paragraph to any such association shall not exceed the lesser of (i) 40 per centum of the development cost of that portion of the facility necessary to enable the project to serve the area which can be feasibly served by the facility and to adequately serve the reasonable foreseeable growth needs of the area, (ii) that portion of the development cost which is costs which are above the probable ability of the association to repay a loan for such purposes from income or assessments levied at a rate or charge for service within the ability of a majority of the users to accept and pay for such service and maintain a reasonable standard of living, or (iii) that

part of the development cost of a facility constructed by a public body which is in excess of the costs which can be financed within the amount of obligations or levies permitted by law and for which alternate revenue financing is not available. The amount of any grant made under authority of this paragraph to any eligible individual shall not exceed the lesser of (i) 40 per centum of the development cost of that portion of the facility reasonably necessary to enable the facility adequately to serve the reasonable needs of such individual; or (ii) that portion of the development cost which is above the probable ability of such individual to repay a loan for such purposes and maintain a reasonable standard of living.

"(3) ~~No grant shall be made under paragraph 2 of this~~ No loan or grant shall be made to or loan insured for an association under paragraphs 1 or 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonable foreseeable growth needs of the area, or (iii) ~~is necessary for orderly community development consistent with a comprehensive community water development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located, (iv) is economically feasible, and (v) will be constructed in accordance with minimum standards.~~ Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) In order to carry out the purposes of subsections (1), (2) and (3) of this section, the Secretary, after reasonable notice and public hearings, and consultation with an appropriate advisory committee established pursuant to subsection (5) of this section, with other Federal agencies, with State and interstate public health agencies and planning bodies and with municipalities and industries involved, shall prepare regulations setting forth minimum construction standards and standards of economic feasibility applicable to any water facility with respect to which a grant, loan or insurance of a loan is authorized by this Act. Such standards shall be designed reasonably to protect the public health or welfare and to serve the purposes of this Act.

"(a) In establishing such minimum construction standards the Secretary shall take into consideration the length of time use of such water facilities is contemplated, the possibility of their integration into other community facilities, their adequacy to provide for future water needs of the area and of the persons residing therein, and other factors relevant to the purposes of this Act.

"(b) In establishing such standards of economic feasibility, the Secretary shall take into consideration the overall cost of such water facilities, their capability to provide an adequate supply of water at reasonable cost, the adequacy of existing facilities, the possibility and cost of improving existing facilities, the cost of alternative types and combinations of types of facilities, and other factors relevant to the purposes of this Act.

"(5) (a) The Secretary is authorized to establish an advisory committee or committees to assist him in the development of minimum construction standards and standards of economic feasibility applicable to water distribution facilities, and to advise him on other matters relating to such facilities, and each such advisory committee shall include among its members persons from industries, organizations, and governmental bodies directly interested in, affected by, or otherwise qualified to advise on the subject matter to be considered.

"(b) Each member appointed to such a committee from private life may be paid travel expenses and per diem in lieu of subsistence at the rates authorized by section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b-2).

"(4) (6) The term 'development cost' means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(7) The term 'facility' shall include any public or private water supply system, or any combination of such systems, together with any storage, treatment, purification, or distribution system in connection therewith.

"(5) (8) No loan shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) (9) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to any public body or such other agency as the Secretary may determine having authority to prepare official comprehensive plans for the development of water systems in rural areas which does not have funds available for immediate undertaking of the preparation of such plan.

"(7) (10) Rural areas, for the purpose of water systems, shall include any area not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population in excess of five thousand inhabitants."

SEC. 2. Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f) (1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000".

Senator AIKEN. You understand that the bill prohibits the Farmers Home from making a loan to a rural area which is likely to decline in population for which the facility was designed, and there are certain other criteria written into this, and as far as your apprehensions go, I heard the same apprehensions when the Rural Electrification Act was passed. I talked to some of the utility companies. They said they just cannot make it go in that area. "We would do it ourselves if we could get our money back." They said it could not succeed. But it has done pretty well, and it has created a tremendous market estimated at about \$6 billion a year including a good market for pumps, I expect.

Mr. SNELL. Mr. Chairman, it has contributed to ours, that is correct.

Senator AIKEN. Water is as essential for the growth of a community as is electricity.

Mr. SNELL. It is as essential, and it is as important that it be obtained in as economical a way as possible to insure the reliability of the source of supply at a minimum cost to the people, and we believe that there are circumstances in this country, and that there will continue to be, where a private system is the best answer. If it is not the best answer, then there should be a community system, and actually our people manufacture pumps that are used in community systems, too. But it is a question simply of providing a choice and not being committed to the single-mindedness that in all circumstances under all conditions a central system is the best.

Senator AIKEN. I do not know of anything in this bill which would prohibit a community from getting their water from the most feasible source. It might be from existing reservoirs, it might be from new reservoirs constructed, or it might be from wells. I am sure there is no intention to restrict the source of the water so long as it is clean water and economically feasible.

I think you will find that your business would increase very, very rapidly. You would have a whole new market opened up because you cannot build a community with the facilities, with water sewage

disposal, recreation grounds, schools and so forth, without the surrounding territory growing, too, like the little place I mentioned in Vermont where there have been 80 to 100 new homes and homesites purchased within the last 3 or 4 years.

I do not think you can improve a community center without tremendously increasing the development for several miles around it. I am quite sure that there would be more pumps used.

But, however, that is, your business, and you are looking after it, and you are looking after it very well.

Mr. SNELL. We think, Mr. Chairman, that we are offering something which will also help to look after the people of America, which we are just as interested in as are the other members of the committee.

Senator AIKEN. Why certainly, but if you do not let the people do their work cooperatively and in the way they want, they are going to ask government to do it, and government is controlling a good share of the big business of this country today.

They like to say it is private industry, but they could not last 3 weeks without government.

Mr. HOUT. And government could not last 3 weeks without private industry.

Senator AIKEN. Some kind of government could not.

Mr. HOUT. Not our kind.

Senator AIKEN. Not the kind you want.

Mr. HOUT. Right.

Mr. SNELL. Thank you, Mr. Chairman. You have been extremely patient considering the time.

Senator AIKEN. I am sorry we did not have more of the committee here today, but they are busy elsewhere.

Mr. SNELL. We would like to commend to your further consideration and study our full statement.

Senator AIKEN. Is Sam Thompson here? He is a member of the Mississippi Board of Water Commissioners.

STATEMENT OF SAM THOMPSON, MISSISSIPPI BOARD OF WATER COMMISSIONERS

Mr. THOMPSON. Senator Aiken, thank you for permitting me to come over and give the views of the Mississippi Board of Water Commissioners on this very important bill from our viewpoint.

I would like to review just a minute Mississippi's participation in the present program that is available to us. Since July of 1962 when we recodified the Farmers Home Administration's legislation, we have had 59 Mississippi communities that have obtained loans from the FHA in the amount of \$6,974,000 to serve 4,500 families. This is about \$1,425 per family or \$355 per person. In addition to this, we have 131 other communities that have made applications, and they are pending now, in the amount of \$15,500,000. This indicates a tremendous need in our State for this type of program.

This entire operation in Mississippi has been under the loan program of the Farmers Home Administration.

I served for 6 years as chairman of the Southern Water Resource Conference comprising 15 Southern States, and also for 1 year as chairman of the Interstate Conference on Water Problems of the

Council of State Governments, and I believe that the situation outlined above for Mississippi is comparable for most of the other States.

Mississippi is an agricultural State of small rural communities. In my home county of Leflore, we have two incorporated communities, Greenwood with over 21,000 people, and Itta Bena, with about 1,900.

We have six unincorporated communities that operate off of artesian wells that serve anywhere from one to five or six families without a system of an adequate water supply to fight fire or to carry on any other type of community needs.

So there is the need in these 131 communities that have already applied which indicates the interest of the some 500 communities in the State that need this type of service.

We are tremendously interested in the passage of this bill in order to meet the needs of rural areas where people have congregated 100 to 200 to a small community to meet their water supply needs. We are in favor of the bill as drawn. We recognize some of the problems as the previous witnesses did. I believe they indicate in the number of States here that Mississippi has already under their records more community loans than any other State in the Nation, even more than Texas which is considerably larger.

We would like to see the bill passed as is, without the limitations that are suggested in the Department's report. We do not think these would add anything to it. We think the bill is necessary.

We oppose the recommendations of the U.S. Department of Agriculture for the administration of the act as recommended to be amended by it, to be administered through the Home and Housing Finance Agency. First, this is a rural matter involving rural communities and has no place in an urban agency. Second, the elevation of the HHFA to Cabinet status as proposed by the administration and under consideration by the Congress would further involve rural water supply problems in urban affairs. We think that rural problems can best be administered by the Department of Agriculture since it is cognizant of limitations of rural people to meet financial commitments over a long period, and of their need for water supply not only for domestic purposes, but also for livestock, irrigation, and waste disposal.

We have one community of East Lowndes County, Miss., that used the maximum of \$1 million limit on insured loans. We have a lot of these small communities that would serve a large rural area, but because of the lack of population and the sparseness of the economy, where the banks could not take care of insured loans on this basis, we need the increase in the amount of direct loans that are provided for in this bill. We need the flexibility that would be provided in increasing the limit from \$25 to \$50 million in the insured loan pool that is operating, because with the program expanded to this size, with the additional communities that would come in under the grant program to get assistance, the FHA insured loan applications are going to double, and the \$25 million limit has already been restrictive under our experience with it.

We think that we ought to increase the authorization for insured loans from the \$200 million to the \$450 million that you have applied for in the bill because as I have indicated, we only serviced about one-third of the loans in Mississippi that we have had applications for.

We support the provision defining the rural community of up to 5,000 people for the purposes of this bill. We do not find this increase in the size of a rural community necessary in our State, however, our knowledge of the problems of the communities of Western States in the more arid regions of the Nation indicates that a broader basis for repayment of the loan and a larger base for grants will be necessary in order to meet the water supply problems of those areas.

I know in the housing program administered by FHA we have about \$1.5 million worth of applications for housing loans that are restricted because there is not the authorizing ability in the insuring authority in the Farmers Home Administration. So this certainly should be increased to the \$450 million that you have applied for in this bill for the overall authorization for insured loans in the Farmers Home Administration.

I am being as brief as possible, because I know what the time element is.

Senator AIKEN. You have made your point clear anyway.

Mr. THOMPSON. Thank you, Senator.

Senator AIKEN. Next we will hear from Lloyd Brown and James Geraghty, National Water Well Association of Glenview, Ill., now.

STATEMENT OF LLOYD BROWN, NATIONAL WATER WELL ASSOCIATION, KANSAS CITY, MO.

Mr. BROWN. My name is Lloyd Brown, a resident of Kansas City, Mo., and I have been in the water well drilling business for the past 25 years as president of Cullum & Brown Drilling Co., which presently operates six drilling rigs in the three-State area of Kansas, Missouri, and Iowa.

I am here today on behalf of the National Water Well Association, a trade association representing the water well contracting industry. There are more than 12,000 individuals and companies in the United States engaged in the business of water well drilling and 350 companies manufacturing and supplying water well drilling equipment. Our technical division includes more than 400 geologists, hydrologists, and other experts in ground water technology located both in this country and abroad.

Appearing with me today are Gorman C. McCall, from Charlotte, N.C.; Mr. Talmadge Stewart and Mr. Jerome Martin, from Athens, Ga., representing the Martin Drilling Co. I might point out for the benefit of Senator Talmadge that Mr. Stewart was named for his father, Gov. Eugene Talmadge. Also here is Mr. Richard E. Sullivan, Jr., of Boylston, Mass., who is engaged in the well drilling business in Massachusetts and Vermont, and Mr. Harold Worall, who operates the A. & W. Artesian Well Co. of Manchester, Vt. Mr. Stanley Lundin of South Londonderry, Vt., who has been engaged in the well drilling business for many years, had planned to be with us today, but was suddenly taken ill and was forced to cancel his appearance. Mr. Lundin asked that I convey his respects to the committee and particularly to you, Senator Aiken. Also appearing with me are Mr. William N. Walker, of Chicago, legal counsel to the association, and Mr. James J. Geraghty, a widely respected ground water consultant and partner in the consulting firm of Geraghty &

Miller in Port Washington, N.Y. Mr. Geraghty is also a director of the association's technical division.

We are here today on behalf of NWWA for two basic purposes. First, I wish to indicate to the committee the support of our members for the basic concept embraced by Senate bill 1766. In addition, we wish to emphasize, for the benefit of the committee, the importance of the role played by ground water in the overall water picture in the United States and the necessity of safeguarding this vital resource.

The National Water Well Association endorses without reservation the principle that residents of rural America should be better enabled to obtain ample quantities of pure and wholesome water to meet the dramatically increasing water demands produced by an advancing technology. For this reason we support the proposals of S. 1766 to increase the participation of the Federal Government in seeking to achieve this broad objective.

However, we also subscribe to the position so ably presented by the Water Systems Council. We firmly believe that if rural water problems are to be alleviated, solutions must be devised which utilize not only the advantages which community systems are able to provide, but also the contributions which private systems can make. Community systems should not be relied upon to assist individuals in sparsely populated areas to obtain a more adequate water supply where private water systems can tap readily available ground water sources to provide the same service at vastly reduced costs. To do so would be to perpetuate an uneconomic allocation of water, one of our most precious natural resources.

As the committee may be aware, nearly 97 percent of the fresh water reserve of the United States is ground water. More and more of our surface waters are becoming polluted, and as water demands rise, there will be a steadily increasing dependence upon utilization of ground water as a source of supply. We therefore urge this committee to consider carefully the capability of this natural reservoir to meet the needs of persons in the rural areas, and to cast the solutions it proposes to this problem in a manner utilizing the benefits of private systems drawing from our ground water resources.

In order for the committee to understand the full importance of ground water and the necessity for protecting it, with your permission I would like to have Jim Geraghty say a few words on this subject.

Senator AIKEN. Go ahead, Mr. Geraghty.

STATEMENT OF JAMES J. GERAGHTY, NATIONAL WATER WELL ASSOCIATION, PORT WASHINGTON, N.Y.

Mr. GERAGHTY. Members of the committee, I earlier this week submitted a written letter to the committee on the understanding that I would not be able to come down here, and this is already in the record or available to you.

I am a consultant in this field working in most parts of the United States and in a great many foreign countries for industries, governmental units, United Nations, and others. My entire background has been in the field of ground water development. It is partly in connection with that that I would like to add just a few brief remarks to what has been said in the statement which you now have.

Basically I agree with the remarks made previously that the concept of central water supply systems pipeline networks being distributed over broad areas is not at all analogous to the distribution of electric, natural gas, or petroleum. The latter cases, these other commodities, are produced only in central places. Electric is generated at one place. It is collected and distributed from a central point whereas the United States by and large for the most part is blessed with a big abundance of underground water which is available underneath most tracts of land in populated places.

There are exceptions in desert regions and elsewhere. But where the people live historically there has always been local development of water by means of water wells.

As a statistic which sometimes is staggering, I would like to say something on the order of more than 95 percent of this country's fresh water at any given moment is in the ground. Only 5 percent or less is in rivers and lakes in the United States. Unfortunately it is hidden from view, and consequently it has not received perhaps the level of attention it should have in the past. This is rapidly changing in the United States. Almost half of the total water used in America, with the exception of water for hydropower, now comes from the ground, and the ratio is still increasing.

The use of ground water is growing more rapidly than the use of surface water resources. Consequently when one considers taking water from a central point and distributing it widely, I think it should be recognized that all the properties to be served very often already have water available beneath the land surface which could have been extracted I am sure in many instances far more economically than carting it in by pipeline.

The only real point I am making here is again to stress the fact that underground water is a widely available resource in America and that this committee, this bill should make some allowance for assessing the economic feasibility of what sources are to be tapped for these rural water districts.

Senator AIKEN. Do you find anything in the bill which would prohibit any particular source of water in a rural community?

Mr. GERAGHTY. It appears to have a clear implication that centralized water systems are to be constructed under the terms of this bill.

Senator AIKEN. You are not advocating a separate well for each house, are you?

Mr. GERAGHTY. Only in the instances where the economics and the availability of water would favor it.

Senator AIKEN. We have a few favored places where a community is presently served by underground water wells.

Mr. GERAGHTY. No; I am thinking more in terms of the scattered rural users on individual farms who would have to be supplied by long pipelines.

Senator AIKEN. They would still have to largely depend on wells under this bill, because it seems to me that it is communities and users which are feasibly close together that we are trying to serve. This would not apply to the isolated fellow who lives several miles out of town or who lives at an elevation well above that at which the system could make delivery. He could borrow from the Farmers Home himself if he could not get the money anywhere else. If he could, why he

could not get it from Farmers Home anyway. I am sure there is no intention of excluding driven wells as a source of water for communities, and we have had plenty of complaints and I have had plenty of complaints of a well here and there and someplace else, and then somebody runs dry and they do not have any water. The water table has dropped.

I have a report that in one of the Western States it has dropped so that they are wondering if they have got to give up their irrigation and the cultivation of their rich land which was responsible for their coming there in the first place. They have driven too many wells.

Mr. GERAGHTY. This is true.

Senator AIKEN. You come from Port Washington where there is water. You get a lot of water running even on the surface there.

Mr. GERAGHTY. During the present drought conditions in New England it is usually the communities that are having the water supply problems and not the individual well owners, although there are some of those having their problems, too. They both are, but there are a great many private well systems which deliver adequate supplies to their owners in a great many communities which are in trouble including New York City and others, so I am simply saying there is no particular merit necessarily.

Senator AIKEN. That would be because New York City is not in private ownership, wouldn't it?

STATEMENT OF WILLIAM N. WALKER, COUNSEL, NATIONAL WELL WATER ASSOCIATION, GLENVIEW, ILL.

Mr. WALKER. Senator, if I might add just a word at this point, I think what you say is perhaps true—that the actual language of the bill itself would not necessarily exclude the use of private water wells in private water systems. However, it has become a matter of concern to this industry from the published statements of the Farmers Home Administration and the Secretary of Agriculture that community systems are being viewed as some kind of panacea for the ills that have befallen some of our rural areas, and it is our intent not to oppose the construction of these systems where they make sense but rather to draw the committee's attention to the fact that there is a problem which we all recognize, and to suggest to the committee that it use two legs in seeking to obtain a solution to that problem, not to restrict itself to the use of one leg, the community system.

A private system or a series of private systems constitutes the other leg, and both of these legs should be used to provide an economic allocation of both our natural water resources and an economic allocation of Federal funds.

I believe the use of individual systems in connection with—in combination with central systems will provide a more viable solution to the problem.

You mentioned a moment ago the situation of the farmer or rural resident who lives a mile or two away from the district.

Senator AIKEN. Three or four miles.

Mr. WALKER. Four miles from the district.

Senator AIKEN. That is right.

Mr. WALKER. Now it is economically unfeasible to provide a pipeline shooting out to that individual. But yet that fellow may have a water problem. He should be provided with a water system, a modern private water system using the submersible pump.

Senator AIKEN. Well, why not?

Mr. WALKER. Your bill as written presently, Senator, does not provide for——

Senator AIKEN. A grant.

Mr. WALKER. A 40-percent grant.

Senator AIKEN. It does not, no.

Mr. WALKER. Secondly the language of sections 302 and 304 of the 1961 act do not embrace loans for individual water systems to rural residents. Rather it is restricted to farmowners and farm tenants. And there is an added factor here. There is a factor of motivation. Many of the persons who live out in the rural areas either through lack of information or plain lack of motivation have not seen to it that they have been able to obtain good ground water. They are still using dug wells. And we would be the first one to admit that a dug well, when someone gets out with a pick and shovel and digs a hole down in the ground until he reaches some water is subject to contamination, and it is not an adequate water supply in most instances. But that individual can be supplied with an adequate, an ample supply of pure, wholesome water through a modern drilled system.

Senator AIKEN. I guess you think I am hopeless. My well is about 3 feet deep. I should have been dead long ago.

Mr. WALKER. Senator, I said that you are a very happy example of the exception to the rule that I just quoted.

Senator AIKEN. There is business enough for everybody, and there are 100 million more people going to occupy this country of ours within the next 30 years unless we do something foolish. There is going to be business enough for all of you, and you do not have to take it away from somebody else to get it. Just prepare for the increase, and you will get it.

Certainly for every community that has a water system, there will be many times as many people settle on the outskirts of that community who will need their own water supply, I am sure you will do more business than you are doing now, especially when the people who have several wells within say 200 yards of each other find their water table drops out of sight, or somebody has got a sewer that seeps into all of them as we hear about occasionally.

I think you have got a job on hand. I am for desalinizing, too. That will probably interfere with your business.

Mr. WALKER. Not at its present costs I do not think.

Mr. BROWN. They are getting it down to where it is more feasible.

Senator AIKEN. It is down to about 50 cents a thousand gallons now.

Mr. BROWN. That is right.

Senator AIKEN. And then they will have to buy some pumps to pump it where it is going.

Mr. WALKER. Senator, this completes our presentation. We thank you for your attention.

Senator AIKEN. Thank you. I understand you are looking out for your own business. You are apprehensive of what may happen, but I do not think it could possibly happen to you.

Mr. WALKER. We would like to think also, Senator, that our own selfish interests are consistent with the public interest, and we believe that they are.

Senator AIKEN. If people did not have self-interest, there would not be much progress made in the world.

Mr. WALKER. Thank you, sir.

(Mr. Geraghty's statement in full follows:)

Mr. Chairman and members of the committee, my name is James J. Geraghty. I am a partner in Geraghty & Miller, consulting ground water geologists, Port Washington, N.Y. I am a qualified geologist, with many years of experience with the U.S. Geological Survey and in private consulting work. Our clients include many companies, governmental units in the United States and in foreign countries, and even the agencies of the United Nations.

I would like to be permitted to offer a few comments in connection with Senator Aiken's bill S. 1766 pertaining to rural water districts. My remarks are directed especially toward some of the economic implications of the bill, and are prompted by what I feel is a somewhat lamentable tendency in certain public agencies to think that centralized water systems are always preferable to the decentralized systems that now serve this Nation so well.

It is perhaps only natural for the layman to assume that water distribution pipelines should provide the same benefits to the consumer as do electrical transmission systems or natural gas pipelines. Unfortunately, the analogy is a poor one, because water is a resource widely available in most parts of this country, whereas electricity and heating fuels must of necessity come from central sources or production facilities. Moreover, water is a very cheap commodity, still sold at an average price of about a nickel a ton, and in many instances could never be delivered by pipeline without a disproportionate increase in price to the consumer.

Almost no one today in this country is without an adequate water supply for his private household use, and the main reason for this happy circumstance, especially in rural parts of the country, is that well water supplies are usually fairly easy to locate. The record will show that a shortage of rural water is seldom advanced as principal justification for construction of a centralized system. The usual argument is that the well water may be unsafe for drinking, but this is a situation calling only for closer supervision and protection of well supplies—not for abandonment of the resource itself. Thus, in assessing the desirability of connecting rural consumers to a central water source, it would seem essential to determine first, whether the existing well supplies are adequate, and second, whether tighter controls to guarantee the purity of privately owned systems might be a more effective and less costly answer to the problem.

Economics must play a major role in making any decision to build a distribution network, for in many instances it is clear that scattered individual household wells are a far more sensible way of providing dependable water than any type of centralized arrangement. Moreover, large investments have already been made in individual water systems, and since any changeover will be expensive, groups sponsoring their abandonment should be required to submit excellent technical or sanitary justifications to support their recommendations.

A second point that deserves consideration is that many proposed centralized systems will simply be pumping ground water from the very same aquifers now tapped by all the existing private wells in a given locality. These water wells are replenished naturally by rainfall, and there may be no particular justification, especially when costs are considered, for extracting the water through one centralized well field as opposed to many separate wells right on the consumers' properties. Since the centralized well field requires an expensive piping network to bring the water to all the consumers in the region, it may be totally unsound from the viewpoint of water management to construct such a network.

There are undoubtedly many rural areas where centralized water distribution systems could be of clear-cut value, and where it would be highly desirable to provide Federal help for their construction. My only purpose in submitting the foregoing comments is to point out that no program of this type should be set up on the assumption that it is inherently better than existing arrangements. The availability of water is entirely dependent on local conditions and on the natural geologic framework of each particular locality, and proposed new central water schemes can make good sense only when they are integrated into sound regional water management plans.

Therefore, I feel that future requests for financial assistance under this program must be supported by adequate background data on local water resource conditions, so that a determination can be made on how to best develop the water at the least expense to the user. Water is still a commodity which by and large is obtained on a local basis throughout the world, and one must be cautious in applying standardized methods to a resource which it is so easy to tap in so many parts of the Nation.

STATEMENT OF GIFFORD E. MILLER, LAWRENCEBURG, TENN.

Senator AIKEN. Mr. Miller of Lawrenceburg, Tenn.

Mr. MILLER. Mr. Chairman, my name is Gifford E. Miller. I am a resident of Lawrenceburg, Tenn., and have lived there since 1928. I am a partner in the Miller Drilling Co., and have engaged in the business of water well drilling since 1947, during which time my company has constructed more than 2,400 wells, are satisfactorily supplying safe water for domestic, agricultural, and industrial needs in the predominantly rural areas of south-central Tennessee. In addition, I have served as a member of the Tennessee General Assembly during the last two sessions.

I am here today as a private individual and represent only myself. I sought this opportunity to appear, not because I have any special ax to grind or any special interest to be served, but because Lawrence County, Tenn., appears to have become the rural water district capital of the country, and I believe that I am qualified by my profession and my experience with the Lawrence County water districts to give the committee some insight into the operations of the rural water district program at the local level.

Moreover, I do not appear as an opponent either to rural water districts or to S. 1766; in fact, I confess to have drilled the well for one in Lawrence County and to have entered into contract to drill another. But I do wish to point out some flaws in the program as it has been administered in Lawrence County and feel that some constructive criticism may be appropriate.

Lawrence County is located on the Highland Rim, in south-central Tennessee, about 80 miles southwest of Nashville, and has a population of 28,000 people, according to the 1960 census. It is primarily an agricultural county, the principal crops being cotton, dairy products, beef cattle, and small grain. The farms are of the small family type with the income subsidized by some member of the family working at another occupation, either full or part time.

Many of our people engaged in industrial employment live in rural areas and manage small farms which they work in their spare time.

These farms require large quantities of water, and are generally supplied from underground sources, such as wells and springs.

Two types of water wells are in use today in this area, and it is very important that this committee understand the difference between the two. One is the hand-dug or open-type well which is constructed with a pick and shovel, usually about 3 feet in diameter and excavated only to a depth necessary to encounter a source of water. This well is subject to contamination from the surface, and from below the surface with seepage from nearby sources. This well is also subject to seasonal variations in capacity and often is dry during the fall months.

The other type well is the properly constructed, modern drilled well, which is 4 to 6 inches in diameter for home use, and drilled to a depth

necessary to penetrate an aquifer which will supply an abundance of pure, clear water. This well is sealed watertight from the surface to the top of the aquifer with a durable, strong material such as steel or malleable iron pipe.

A 1962 report, published by the State of Tennessee, Department of Conservation and Commerce, Division of Water Resources, entitled "Water Resources Series Number Three," states the average depth of drilled wells in Lawrence County is 93 feet, yielding an average of 21,600 gallons per day. The cost of this type well, complete with pumping equipment, averages between \$700 to \$850. Operation and maintenance costs average about \$25 per year.

Unfortunately, approximately 50 percent of the well owners in Lawrence County are still using the old open-type wells, as did their forefathers. These are the wells the health department are most often called to investigate, due to a bad taste or odor developing in the water from surface contamination, and the findings of the health department make up the basis of the reports that you hear and receive, which states that a large percentage of our wells are inadequate and have water of poor quality. Very seldom is the health department called upon to investigate or run a bacteriological analysis on the water from a drilled well—and rare indeed is the time when they prove to be contaminated.

Underground water is in abundance in our county, and is one of our most valuable natural resources. It is only in rare and isolated cases where any difficulty is encountered in securing an adequate source of underground water for a rural home.

Lawrence County now has a total of five water districts in operation, with four more either under construction or in the process of being approved. Five of the districts are supply water for small, unincorporated communities of 100 to 250 houses each, all located in a small area, where a large number of houses can be supplied with a minimum of pipeline. I believe that these water districts will prove to be an asset to the community, and I commend the FHA and the Congress for making them possible.

The other 4 districts, however, are merely an extension of the city water mains along the main highways, which are sparsely populated, averaging only about 10 houses per mile. The motivating factor behind these rural waterlines is not a desperate need for a water supply but, rather, a desire to increase the value of the property which fronts the highways and can be sold as building lots. The fact is that these areas are not faced with a water problem and the water districts constitute nothing more than a land development device.

In numerous instances, a homeowner in these areas attaches a faucet to the watermeter and uses the water only for washing his car, or watering flowers and shrubs until he has used an amount of water equal to his minimum monthly water charge. He still uses his well water as his home water supply. His only reason for signing up with the utility district was to increase the value of his property. In other cases, the customer uses the minimum amount of pipeline water in his house, but continues to depend on his private system to supply the bulk of his water needs.

In order to point up the question of whether the operation of these districts is consistent with the intent of Congress in enacting the

Consolidated Farmers Home Administration Act of 1961, I conducted a survey of the New Prospect Utility District, within which I live, and I believe the information developed by this survey will prove very interesting to the committee. The New Prospect District contains about 8 miles of pipeline of which 29,300 feet—or nearly 70 percent—is 4-inch pipe. The small size and extreme length of this pipeline immediately restricts it from any further expansion, if it were ever deemed necessary or desirable by those in the fringe areas not presently being served.

This waterline cost \$118,500, of which \$3,000 was paid by subscription fees, and \$115,000 was borrowed from FHA.

Senator AIKEN. If I might interrupt you there, this bill would not let them make guaranteed loans for systems where the size of the pipe is too small to block future development and increase in use.

Mr. MILLER. This district has a total of 93 customers, and 115 watermeters, or taps. Several customers, as you can see, bought more than one tap. The average cost of this system on a per tap basis, then, is about \$1,030.

Our survey, however, indicated that the figure of \$1,000 per tap is not a true reflection of the actual circumstances. In the first place, we found that out of the 115 taps on this system, 41—or 35 percent—are dry taps. In other words, only 74 of the 115 taps are actually being used today to obtain water. The remainder represent investments by property owners for the purpose of increasing their land value. Even more significant, however, is the fact that of these 74 so-called wet taps, only 56 have been connected into the customers home for domestic use; 18 of the 74 taps—or 24 percent—are not being used to supply domestic water needs.

Thus, if the average per tap cost of the system is figured on the basis of those taps which are actually being used for the purposes for which the system was designed, each tap cost an average of \$2,116—or more than double the \$1,030 average which is obtained from a view of all taps on the system.

Mr. Chairman, I believe that the conclusion to be drawn from this survey is obvious: The investment of \$118,500 in the New Prospect District was a misallocation of resources because no need existed for a central water supply in the locality now served by the district. This conclusion is further borne out by the fact that only 13 customers stated that the source of water they had used previously had been inadequate, and only 2 of these persons had drilled well systems, the remaining 11 having previously used hand-dug wells, cisterns, and the like.

It appears clear that the primary motivation of persons who hooked on to the water district was to increase their property value. This, of course, explains the large number of dry taps. Moreover, as a part of the survey, these people were asked why they had signed up for the district. The three most common answers were as follows: (1) to increase the value of their property; (2) to insure against a possible failure of their private system at some future date; and (3) to help their neighbors get the waterline.

This utility district was conceived, planned, and sold to the public by FHA and a few of the 13 people who did not have a satisfactory private system, and others who wished to subdivide a piece of prop-

erty, at the taxpayers' expense. Many of the customers signed up reluctantly, with serious doubt about the feasibility of the project and only after repeated calls from those doing the promoting. Pressure was exerted on some hesitant individuals by telling them that they would be held responsible for defeating the water district if they did not go along and sign up. Several were misled as to the exact charges and costs, are unhappy with the size of the monthly bills, and have stated that they plan to discontinue using the services when the time limit expires.

—I submit to you that this type of water utility district was not intended by Congress, and that it does not meet the basic objectives of section 306 of the act which is:

To encourage and promote the development, conservation, and best use of water and land resources in rural areas.

Moreover, the water supplied by the district is purchased from the city of Lawrenceburg public water system, which draws its water from Shoal Creek. The added burden of serving the New Prospect district—and several other of the new districts—is liable to seriously overtax this water source. Assuming that all of the customers on these rural lines used the water district as their only source of water, then a tremendous amount of nature's own good water would be lying dormant underground, while a small stream running above ground, and subject to every source of contamination, would be overloaded. It is not inconceivable that in some extremely dry and drought-stricken year, this stream could become so low that only emergency water would be available. It should be noted here, too, that our underground water is the only source we have that is safe from radioactive fallout. The numerous private water systems throughout the country could easily supply the drinking water in this event, provided they are encouraged and kept intact.

The areas in my county, and the surrounding counties with which I am familiar, that need help in securing a safe and adequate supply of water, are not the prosperous suburban areas which can well afford a private water system, or can be served by a municipal system whenever it is economically feasible and necessary. The areas that need help are the remote backwoods sections where the land is cheap and the incomes low. These people cannot be reached with a pipeline, even with a 40-percent grant from the Federal Government. Nor is it necessary even to consider this expensive and impractical method of water distribution, when we have only to take advantage of the water resources furnished by mother nature. Underneath the surface of the ground in these areas flows an abundance of pure, clear water is more than adequately recharged annually with over 50 inches of rainfall. These underground aquifers can transport and store more water—more efficiently—than any manmade pipeline.

If it is the intent of this committee to pass some legislation that will help to provide a pure, safe, and adequate supply of water to all of our people, then certainly we should not overlook those who are past the practical limits of a utility district and who are sitting on top of the best pipeline and the best water supply in the country. If a Federal grant is practical in supplying water for the more prosperous and thickly populated areas, then it should be practical in supplying water for the more remote areas, which can be done with private water

systems at less expense to the Government and at less expense to the individual, and at the same time give people considerably more water.

Some standards should be established by this committee whereby it could be determined which type of water supply system is the most practical for any given area. Then the necessary aid could be channeled along those lines. Even we in the water-well industry will admit that some sections of our country are not blessed with an ever-present supply of ground water, but we do maintain that pipelines should not be constructed over an abundant supply of pure water lying unused underground.

Senator AIKEN. Thank you, Mr. Miller.

I think that concludes all the witnesses this afternoon. I will say though that since we have started this hearing I have been handed several more communications. I think four of them are from your community, Mr. Miller, in support of the bill S. 1766, one by William Gresham, president of the New Prospect Utility District. You referred to that. And from William Newton, county judge, Lawrence County; John Roberts—I do not know what his business is though you probably do—and Dr. Lumpkins, the mayor of the city of Lawrenceburg.

(The telegrams are as follows:)

LAWRENCEBURG, TENN., *June 18, 1965.*

Senator GEORGE AIKEN,
Senate Office Building, Washington, D.C.:

We solicit your support on Senate bill 1766.

WILLIAM E. GRESHAM,
President, New Prospect Utility District, Lawrenceburg, Tenn.

LAWRENCEBURG, TENN., *June 18, 1965.*

Senator GEORGE AIKEN,
Senate Office Building, Washington, D.C.:

Through the Farmers Home Administration, Lawrence County has been greatly benefited and Senate bill 1766 would in my opinion strengthen this program. Your support would be appreciated.

WILLIAM T. NEWTON,
County Judge, Lawrence County, Tenn.

LAWRENCEBURG, TENN., *June 18, 1965.*

Senator GEORGE AIKEN,
*Senate Office Building,
Washington, D.C.:*

As an interested citizen of Lawrence County, Tenn., I would like to express my wholehearted support of Senate bill 1766. We can see the advantages of this bill here in Lawrence County. Your support will be greatly appreciated.

JOHN ROBERTS.

LAWRENCEBURG, TENN., *June 18, 1965.*

Senator GEORGE AIKEN,
*Senate Office Building,
Washington, D.C.:*

I would like to solicit your support of Senate bill 1766. We in Lawrenceburg have seen the benefits to our rural communities through the efforts of the Farmers Home Administration in rural water developments.

Dr. M. L. LUMPKINS,
Mayor, City of Lawrenceburg.

Senator AIKEN. Also, I have just been handed a statement by Senator Ross Bass, of Tennessee, in support of S. 1766 and a letter to Senator Ellender from Senator Bass asking him to insert in the record a statement by the Tennessee Municipal League in which Senator Bass says he does not necessarily endorse all the views set out but he would like to have it made part of the record.

And finally I have a statement giving very strong support to S. 1766 from a Senator that lives in the largest village in this country, Senator Javits, of New York, in which he states among other things that there are 800 rural communities in New York that are in need of this legislation. I would also like to include in the record the remarks of Senator Javits to the Senate, June 15, in which he invites attention to articles in the New York Herald Tribune and New York Times.

(The documents referred to are as follows:)

STATEMENT OF HON. ROSS BASS, A U.S. SENATOR FROM THE STATE OF TENNESSEE

Mr. Chairman, as a cosponsor of the bill and as a member of this committee, I would like to take this opportunity to give this statement in support of S. 1766. It is my belief that passage of this bill is essential to the survival of the rural areas of our country for it will help many farm and rural families obtain all the good water they need for the first time.

The profound importance of this bill must be considered. There remain vast rural areas of our country where families continue to haul and pump contaminated water. Sporadic outbreaks of hepatitis and other water-borne diseases handicap otherwise dynamic rural areas and industrial sites remain unoccupied. The lack of good water may well account for much of the sickness, poverty, and bleakness that characterizes our rural areas.

Mr. Chairman, in our country today there are some 30,000 rural communities with inadequate water systems. To carry the burden of the entire cost of water systems without loans and other assistance is often impossible for rural communities. The building of modern water systems, including the costs of locating and developing acceptable water supplies, and the inevitable problems arising from great distances between rural families, has proven to be tremendously expensive.

S. 1766 is designed to alleviate these problems. It provides for a more adequately funded insured loan to partially satisfy this ever-increasing demand for good water. Such loan funds will provide capital to buy sites, drill wells, erect storage tanks, buy pumps, lay pipelines, and pay for legal and engineering services. More water systems will become available to homes, churches, small businesses, schools, and community buildings.

S. 1766 increases the maximum size of loans to \$4 million so that communities may jointly build larger, more efficient water systems. Many communities have been unable to design and install a satisfactory system because of the \$1 million maximum loan limitation now in effect.

S. 1766 will reach communities with a population up to 5,000. Heretofore, rural water loans could only be made in communities smaller than 2,500. The need to extend water loans to these larger rural communities has been shown in the past few years since many communities have had nowhere to turn for credit.

By the provisions of S. 1766, the Secretary of Agriculture, through the Farmers Home Administration, will continue to administer these loans. The outstanding success of this agency, along with its willingness to accept new and added responsibilities, convinces the sponsors of S. 1766 that high standards will be maintained. The success of the FHA water program is shown on the record. This continued success is assured by the diligence and diversity of FHA supervisors connected with the some 1,600 FHA county offices throughout the country. I have no doubt that rural America will profit handsomely from the enactment of this bill.

Mr. Chairman, my State of Tennessee provides a shining example of progress and prosperity which can be derived from these loans. In the past 3 years, Tennessee has received over \$9 million in FHA loans to develop and distribute water. These loans bring water to communities formerly supplied by ponds, creeks,

cisterns, and contaminated shallow wells. With the new, sanitary water systems has come economic growth, new homes, new businesses, and renewed confidence.

Recently, Lawrence County, Tenn., held a water festival to dedicate nine community water systems in one area. These are all financed by FHA and will serve 9,000 rural Lawrence County people with central water systems approved by the State health department, which constitutes more than 80 percent of all the county population. Also recently, we received a \$900,000 water development loan in Rutherford County, which will serve the largest number of families financed to date by FHA. When in operation, this area will provide piped-in water for 900 farm and rural families, 54 businesses, 11 churches, 3 schools, and an orphanage. Water development in Tennessee has long been the hallmark of progress. With the passage of S. 1766, water development will continue and so will our march toward the Great Society. We have seen in 3 short years the value of new water systems and the economic enrichment each system brings.

Mr. Chairman, S. 1766 is a vital bill. Its passage spells new opportunity and hope for rural Americans. It offers rural America a new dimension for expansion. I join with my colleagues in asking your approval and endorsement of this bill.

STATEMENT FILED BY HERBERT J. BINGHAM, EXECUTIVE SECRETARY, TENNESSEE MUNICIPAL LEAGUE, NASHVILLE, TENN.

The Tennessee Municipal League, a voluntary cooperative association representing the municipal governments which serve some 99 percent of the incorporated population of Tennessee, considers orderly urban growth and provision of adequate urban services as the principal governmental problem in this Nation today.

This concern about the actions we take now to prepare for the projected 100-percent increase in urban population by the end of this century is evident also in the policy positions of the National League of Cities and the National Association of Counties, which together speak for the preponderant majority of local general-purpose governments in America. As a member of the Joint Task Force on Substandard Urban Expansion of NLC and NACO, I respectfully ask that the attached report of this task force be included in the record at the end of my testimony.

We respectfully commend to the attention and examination of this committee policy statements adopted unanimously by the delegates to the 25th Anniversary Conference of the Tennessee Municipal League held at Nashville, June 6-8, 1965.

Part I of this policy addresses itself to the objective of defining substandard urban growth, and recommending ways to lessen and finally to halt it. It identifies federally supported water utility systems in suburban and presently rural areas as a major cause of substandard urbanization, and specifically recommends, as does the joint task force report referred to previously, that Federal contracts with local agencies constructing water utilities intended and designed to serve rural areas prohibit the servicing of new urban development "where utility systems and public facilities and services are rural in character unless those utilities, services, and facilities are upgraded to urban standards."

I respectfully ask permission to have the attached "Part I: Tennessee Municipal Policy on Preventing Substandard Urban Growth" included in the record of this hearing at the end of my testimony.

"Part II: Tennessee Municipal Policy—Federal program," includes a general statement of philosophy on Federal-municipal relationships, and some specific recommendations for action by the Congress.

As this committee deliberates on S. 1766, we invite your thoughtful consideration of:

1. The statement in this policy under the heading "Duplicating Programs Opposed," which declares:

"We oppose that portion of S. 1766 which would give the U.S. Department of Agriculture jurisdiction to aid in financing water systems in incorporated municipalities up to 5,000 population. This would constitute an unnecessary, wasteful, and confusing duplication of the completely adequate programs for municipal water systems now administered by the Housing and Home Finance Agency, or proposed in the 1965 housing bill, including interest-free loans for employment of engineers to design water utilities and other public facilities;

low-interest loans with up to 40 years' maturity for construction of such systems; and the 50-percent grant program proposed in the 1965 Housing and Community Development Act.

"We support, however, Federal assistance for water systems to serve rural residents, provided such systems do not serve and foster unplanned and ill-served urban development."

2. I submit for your consideration the following statement on Federal-city relations contained in the TML Federal program :

"FEDERAL CITY-RELATIONS

"We strongly support enactment by the Congress of legislation to carry out the urgent recommendations of the U.S. Advisory Commission on Intergovernmental Relations, which was created by the Congress to develop guidelines for governmental operations affecting joint responsibilities of Federal, State, and local governments.

"We particularly support congressional enactment of the intergovernmental cooperation bill (S. 561) to reduce the welter of confusion and inconsistencies of numerous Federal grant-in-aid and other programs affecting State and local government operations. This bill contains two provisions of utmost importance to local governments :

"A. Authority for the President to establish procedures for coordinating and reconciling conflicting objectives of Federal programs affecting the development of urban communities. The damaging and disastrous results of these bureaucratic conflicts are most obvious in Tennessee in the Federal financial encouragement offered to substandard urban development in unincorporated areas, while federally aided urban renewal and development inside corporate boundaries must—very properly—meet strict compliance standards.

"B. Congressional direction that Federal agencies wherever possible channel projects through town, city, and county governments of general responsibility, rather than through special-purpose units. This is a matter of greatest urgency. In recent years several programs enacted by the Congress have been converted by ambitious Federal bureaucracies into purely Federal, centralized operations, completely bypassing State and local governments which are responsible to the people under the democratic process. The Federal bureaucrats have used special-purpose units of government which are not subject to control by, and are not responsive to the wishes of, the people in the State, county, or community; and they have even used informal committees, welfare corporations, and other nongovernmental instrumentalities having no responsibility whatever under the democratic process to the people affected.

"By contrast, until recent years virtually all Federal programs involving endeavors with other levels of government were required by specific congressional enactments to utilize the State and local government agencies of general responsibility, which had been established to serve the people under customary and essential democratic controls.

"Unless the intergovernmental cooperation bill is promptly enacted, present trends will produce a genuine constitutional crisis in the American system of Federal, State, and local governments, with established and democratically controlled State and local governments being bypassed and subverted by Federal bureaucracies.

"We most sincerely believe that the President, the Congress, and the national associations of State, county, and city officers should promptly and firmly join hands in heeding the warnings and advice of the Advisory Commission on Intergovernmental Relations.

"This Commission, created by the Congress in 1959 and composed of Members of Congress, Federal Cabinet officers, Governors and State legislators, county and city officials, and citizen representatives, should be supported strongly in its findings and recommendations in order to preserve the Federal system of fully responsible and democratic government, and to avoid the inefficiencies and dangers of unduly centralizing the government of this Nation in Federal bureaucracies and the democratically irresponsible instrumentalities these bureaucracies are encouraging at State and local levels."

3. The members of the Tennessee Municipal League believe firmly that the Federal role in orderly urban development should remain concentrated in the Housing and Home Finance Agency (or a successor Department of Housing and

Urban Development), and that a further dispersal of Federal programs and funds, through agencies or departments whose primary responsibilities and functions are in other fields of endeavor, is extremely unwise and inefficient and should be resisted vigorously.

This view is expressed in the following statement endorsing a Department of Housing and Urban Development contained in the TML Federal program:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

"We reaffirm our longstanding policy in urging the Congress to enact legislation now before it (S. 1599 and H.R. 6654) creating a Department of Housing and Urban Development through elevation of the present Housing and Home Finance Agency to Cabinet-level status. While this bill would not alter any other housing and urban aid functions performed by other agencies or departments, it would authorize the new Secretary to provide leadership, at the request of the President, in all Federal aid programs affecting municipal governments. The elevation of this Agency to the status of an executive department is long overdue. Its establishment will insure that the problems of urban communities of all sizes are considered in the highest councils of our National Government, and will achieve an urgently needed coordination of numerous Federal programs affecting municipal governments which are administered by other departments.

"In this regard, we urge that one of the first measures after creation of such a department be the establishment of an Office of Small City and Village Affairs, to insure full information and assistance to officials of smaller municipalities in the use of the great variety of Federal assistance programs enacted for the benefit of small communities.

"The Cabinet-level position for HHFA is justified by the changing and expanding scope of its responsibilities in the 17 years of its existence. Originally an agency dealing solely with housing programs, it subsequently has been directed to take over administration of a broad variety of new Federal community development programs including grants or loans for public works facilities, urban renewal, urban planning, park and recreation facilities, mass transit, etc.

"The most urgent justification for such a department is to halt the scatteration among various Federal agencies of Federal assistance programs affecting municipal governments and urban communities.

"For example, at least four Federal departments are engaged now in grant or loan programs to provide municipal water and sewer facilities, principally because of bureaucratic rivalries and ambitions which are victimizing our urban communities and their municipal governments. This constitutes an open invitation to waste and inefficiency, and to duplication and conflicting objectives having a seriously damaging impact upon our urban communities. It should be halted by the President and the Congress.

"Economy and efficiency demand that in addition to the Cabinet position referred to above, there should be established as a part of the Executive Office of the President an office for the purpose of coordinating Federal programs affecting local governments.

"This office should be adequately staffed so that it can work with the various Federal departments on programs affecting local governments. The director should be versed in local government affairs and sympathetic to the problems of local government."

I appreciate this opportunity of presenting the views of Tennessee municipal officers, and of the municipal and county officials of the Nation.

POLICY STATEMENT—TASK FORCE ON SUBSTANDARD URBAN EXPANSION OF THE NATIONAL LEAGUE OF CITIES AND THE NATIONAL ASSOCIATION OF COUNTIES, ADOPTED MARCH 30, 1965

MISSION

This task force, a joint enterprise of the National League of Cities (NLC) and of the National Association of Counties (NACO), was created to develop an action program to combat the substandard urban expansion which both organizations formally recognize as a top priority problem in this country today. This report is in response to that injunction.

SUMMARY STATEMENT

In general, this task force has concluded that several of the Federal Government's grant and loan programs are contributors to the type of urban sprawl which is ill planned, ill served, and uneconomic in that the facilities and services provided to the homes involved are so minimal that they suffice only until the developer has sold the subdivision—if that long. Thereafter, the full range of urban services and facilities is required by this substandard development; and some local government of general responsibility, more often than not, is left with the physical and financial problems of correcting deficiencies and upgrading services. This task force has decided that one step forward in the solution of these problems is to stop creating them. We propose that the Federal Government discourage substandard urban development. Federal grant and loan programs should be made available only to those projects which stimulate sound urban development and which meet minimal development standards. These standards give priority to adequate water and sewer systems, and require sanitary sewer systems in developing areas classified as "urban." They define a simplified "workable program" of standards required to qualify for Federal participation in urban development programs.

A "workable program" plan is likewise recommended to govern Federal participation in service programs for rural areas, permitting assistance for utilities to serve such areas without abetting substandard urbanization.

This task force has endorsed recommendations of the Advisory Commission on Intergovernmental Relations (ACIR) that, as a matter of policy, all governmental programs should be channeled through general purpose local governments (cities, towns, counties) or through existing special districts. Laws controlling these programs should not encourage the creation of new districts and agencies under grant-in-aid legislation.

The ACIR, the Housing and Home Finance Agency (HHFA), and other Federal agencies involved are asked to undertake further development and implementation of these recommendations by legislative and administrative actions.

The task force recommends that Congress investigate the extent of substandard urbanization and develop legislative remedies.

Parallel recommendations are made for State government. The States should empower counties (as against special districts) to adopt and enforce building construction codes and to establish and implement planning and zoning procedures outside municipal jurisdictions.

The task force recommends finally, that NLC-NACO cultivate the broadest possible support for these proposals.

RECOMMENDATIONS

We, therefore, recommend :

A. Action at the Federal level

The first priority of this task force should be directed to the Federal level of government. Certain Federal grant and loan programs are contributing factors to the incidence of substandard urban expansion and all Federal agencies, and the Congress, should :

1. Define "urban" development as development which, within 15 years, will achieve a population density of 1 house per acre or 2,500 people per square mile ;

2. Define "rural" development as that development which, within 15 years, will achieve a lesser population density than 1 house per acre or 2,500 people per square mile.

3. Require the following minimum standards for all urban development : The provision of water service to specifications approved by the National Board of Fire Underwriters (NBFU) ; the provision of sanitary sewer system service to generally accepted design standards ; the provision of water and sewer services in a manner in accord with any comprehensive planning of utilities development in effect in the urban area of which the territory to be developed is part ; the adoption and enforcement of codes governing building construction (building, electrical, plumbing, and gas codes especially) ; and the adoption and enforcement of comprehensive general planning for the territory in accord with any general plan in effect in the urban area to be developed, together with implementing codes and ordinances necessary to the enforcement of that general planning :

4. Condition Federal aid programs affecting any of these services and activities in urban areas upon a reasonable and progressive continuing program to meet

minimum standards by the local government unit just as Federal assistance in urban renewal activities now requires the municipality to adopt and implement a "workable program" as a condition of Federal assistance;

5. Require in rural areas that water service be provided at all times in quantities and at pressures sufficient to meet maximum domestic demand (General Order No. 103, as amended (see below), of the Public Utilities Commission of California is a sound approach to this type of standard), and that this be made a requirement of any Federal financial assistance to rural systems;

6. Require that Federal aid contracts with rural water systems shall state that no rural system shall be permitted to serve development at densities defined as urban unless at least that part of the rural system shall meet urban standards;

7. Modify all existing legislation which tends to create special or unifunctional districts or entities for the discharge of single or limited responsibilities, or for the implementation of particular programs, and, instead, adopt a general policy which affords priority to local governments of general responsibility—cities, towns, and counties—in assigning such responsibilities and implementing roles;

8. Modify all existing legislation of the type discussed immediately above to provide secondary (to local governments of general responsibility) priority in assigning such responsibilities and implementing roles to existing special districts and entities, wherever possible, to minimize the number of such limited-purpose district to be created in the future;

9. Require the participating States to vest officially designated agencies with authority to determine the "urban" or "rural" character of development and to establish variance, special exception, and appeal procedures—comparable to those now used in zoning administration—for the mitigation of hardships and the review of classifications, except that in no case would an area determined to be "rural" be permitted to develop "urban" densities until it complies with urban service standards;

10. Require, as a regular part of its grant and loan programs, comprehensive continuing planning of areawide urban water and sewer facilities wherever applicable and make 701 planning assistance money available for this purpose;

11. Provide sufficient aid to facilitate sewer as well as water facilities in urban areas; provide, as regular parts of its public facility loan program, and similar programs; for the deferred amortization of such loans where additional growth capacity makes such deferment necessary and for the waiver of existing population limits in programs where "growth capacity" loans are involved;

12. Require, as a regular part of its grant and loan programs, the approval of all proposed water and sewer system installations by both the State health department concerned and by the local government of general responsibility (town, city, or county);

13. Make staff assistance available for the further development of these policies and for the framing of necessary legislation.

B. Action at the State level

That the several States:

1. Define "urban" development, wherever applicable, as that which, within 15 years, will achieve a population density of 1 house per acre or 2,500 people per square mile;

2. Define "rural" development, wherever applicable, as that which, within 15 years, will achieve a lesser population density than that defined as urban;

3. Require all urban development, subject to a classification and appeal procedure detailed below, and, as minimal standards: to provide water service to specifications approved by the NBFU; to provide sanitary sewer system service to generally accepted design standards; to provide both the foregoing services in a manner which is in accord with any comprehensive planning of utilities development which may be in effect in the urban area of which the territory to be developed is a part; to adopt and enforce codes governing building construction (building, electrical, plumbing, and gas codes especially); and to adopt and enforce a comprehensive general plan for the territory which is in accord with any general plan which may be in effect in the urban area of which the territory to be developed is a part, together with implementing codes and ordinances necessary to the enforcement of that general planning;

4. Require that, in rural areas, water service be provided at all times in quantities and at pressures sufficient to meet maximum domestic demand (General Order No. 103, as amended, of the Public Utilities Commission of California is specifically cited as a sound approach to this type of standard);

5. Modify all existing legislation which tends to create special or unifunctional districts or entities for the discharge of single or limited responsibilities, or for the implementation of particular programs, and, instead, adopt a general policy which affords priority to local governments of general responsibility—cities, towns, and counties—in assigning such responsibilities and implementing roles;

6. Modify all existing legislation of the type discussed immediately above so as to provide secondary (to local governments of general responsibility) priority in assigning such responsibilities and implementing roles to existing special districts and entities, wherever possible, to minimize the number of such limited-purpose districts to be created in the future;

7. Vest counties with planning and zoning powers and with powers to adopt and enforce building construction codes outside municipal jurisdictions;

8. Vest local general governments or their planning commissioners with authority to determine whether an area of development is “urban” and establish variance, special exception, and appeal procedures—comparable to those now used in zoning administration—to mitigate hardships and review classifications, provided, however that any area determined to be rural shall remain rural until the area complies with “urban” services standards;

9. Require the approval of all proposed water and sewer system installations by the State health department and the local government of general responsibility (town, city, or county).

C. Cooperative efforts

That NLC-NACO actively seek the support and cooperation of all other organizations interested in the problem of controlling substandard urban expansion.

TENNESSEE MUNICIPAL LEAGUE 25TH ANNIVERSARY CONFERENCE, JUNE 6-8, 1965. NASHVILLE

PART I. TENNESSEE MUNICIPAL POLICY: 1965 PREVENTING SUBSTANDARD URBAN GROWTH

Purpose

This policy statement proposes to unite the towns and cities of Tennessee in a vigorous frontal attack on a whole range of problems which constitute no less than a life-and-death threat to the continued orderly development of this State's urban areas, problems which may be grouped under the heading of preventing substandard urban growth.

Statement of the problem

Hard and costly experience has taught us that large numbers of people living close together—the condition we call urban—absolutely require certain essential services, certain standard public facilities, and a structure of government responsive to the people. Our cities and towns are devoting vast amounts of energy and treasure to try to meet these needs—to try to give Tennessee the very finest municipalities possible.

Outside our towns and cities, however, urban, or close-to-urban, areas are being developed as though none of these requirements were valid. Urban growth in suburban and rural areas is characterized by the absence of essential services, by a lack of public facilities, and by substructures of government which are neither democratic nor responsible to the general public welfare. Square mile upon square mile of raw land, most often in the fringe areas of our towns and cities, is being “developed” to urban densities with “country roads” instead of city streets; with undersized water service lines precluding even maximum domestic consumption and affording no fire protection; with septic tanks, where every health authority recommends sanitary sewers as an absolute requirement; with four or five more houses where a neighborhood park ought to be; with little or no regard for those municipal functions—police and fire service, planning and zoning, sewage disposal, building inspection and so on—which are geared to the protection and preservation of life and property. This often is being done with only the narrowest and shortest term of interests in mind—a quick profit for the developers and their associates—to which are subordinated the long-term best interests, both in the economic and civic sense, of the citizens, the taxpayers, and the ratepayers. Worst of all, these things are being done through shadow governments whose officials may not be brought to account

either for their failure to do a good job or for their fault in having done a bad one. Moreover, these shadow governments, busily wreaking this developmental havoc, are actually being encouraged both by favorable State and Federal laws and by elements of the Federal bureaucracy which would rather not be bothered with the democratic process.

Unchecked, these cancerous shadow governments will surround and strangle every town and city in the State with a spreading web of inferior, cutthroat competitive urban development which can only draw whole urban areas down to its own ill-improved, ill-served, wasteful, and irresponsible level. Central towns and cities, denied an expanding tax base in people and property, will be doomed to a dismal future. They will be called upon to do more and more, as the urban area—and its public needs—expands, but they will have a smaller and smaller share of the fiscal resources of the whole urban area with which to do that expanding job. This will leave these towns and cities no choice but to default on their central city responsibilities. Investors and people will flee the high tax rates and low service levels into which towns and cities will be forced. They will migrate to the suburbs where, even if services are no better, at least taxes are lower. The entire process will accelerate, feeding upon itself. And, ultimately, the whole urban area will culminate not in the modern and efficient, economic, and equitable city that might have been, but in a hodge-podge of short-term and minimal improvements. These are both uneconomic and unsatisfactory and, much too soon, must be removed and replaced at tremendously high costs, in sky-high rates for low-level services, in civic disorder—once the guiding ethic becomes that of evading civic responsibility rather than meeting it head on—and, in general, in a total breakdown of the orderly process embracing all that which men have come to know as the only good way fine cities may be built.

Nor will annexation alone cure the problem or make these shortcomings right—or as right as it is possible to make them after the fact of development. Some 170 cities in Tennessee have brought some 600,000 suburbanites under their jurisdiction, using our annexation and metropolitan government laws to monumental effect in one of the most heroic efforts this country has seen made to meet the urban growth problem. Small Tennessee cities have spent millions to correct service and facility deficiencies in suburban areas. Large cities have spent hundreds of millions to the same ends. Yet, faster than the central city can ever hope to correct past mistakes, new and bigger and more costly mistakes in still further substandard development are going on apace in the fringes beyond the fringe.

This whole process amounts to a total subversion of the orderly processes of sound urban growth. If it is to be resolved in the public interest, all governmental levels involved and their associated interests must see to it that all growth to urban densities, wherever and when it occurs, is developed to acceptable urban service and facility standards. In this way, the present backlog of deficiencies in underimprovements and service shortcomings in urban areas can constitute the whole substandard urban growth problem; and, once our local governments of general responsibility have corrected these existing errors in development, the battle against substandard urban growth will have been won.

The policy which follows is designed to achieve these ends.

TENNESSEE MUNICIPAL POLICY ON PREVENTING SUBSTANDARD URBAN GROWTH

1. Distinguish "rural" from "urban"

Criteria must be developed which distinguish "rural" from "urban" growth. Urban growth, thereafter, must not be permitted where utility systems and public facilities and services are rural in character unless those utilities, services, and facilities are upgraded to urban standards.

Situation report.—Tennessee already has several such criteria. Areas within 3 miles of cities of less than 5,000 population, or within 5 miles of cities of more than 5,000 population, may be preempted by towns and cities as their own natural utility service areas in any jurisdictional contest with a utility district, for example. One suggestion, made nationally, is that a density of one house per acre is "urban" beyond argument.

This policy plank, it should be noted, eliminates the argument that the purpose of the policy is "to deny the farmer pure drinking water." Any rural system could be permitted, even encouraged, so long as it stays rural. The objection is not to the farmer's pure water. It is to the new subdivisions in his cornfields

once "city" water is available in even minimal quantities and pressures. The farmer's alleged thirst often is a subterfuge for those who would profit from urban sprawl.

2. *Favor general governments*

Public policy, at every level of government, must favor local governments of general responsibility—towns, cities, counties—in the implementation of programs affecting urban growth.

Situation report.—Such a policy plank already has been urged by the Federal Advisory Commission on Intergovernmental Relations. The Tennessee Municipal League and the National League of Cities, each at its own level, is actively cooperating with counterpart county organizations to achieve this goal. However many Federal programs (notably those of the Department of Agriculture), implemented through State legislation, work through or even create for the purpose special districts, "betterment" associations, etc., whose narrow interests are such that they give no thought to a balanced and comprehensive urban development program. Their political structures are such that they are not answerable either to the local electorate or to their own ratepayers for the programs they sponsor. The "Federal policy" on Federal-city relations adopted by this conference urges enactment of S. 561 by the Congress as a first step. The State should likewise adopt legislation to clarify the present unsound allocation of local utility service area jurisdiction. The predictable results have been:

A. Property owners have been misled and abused as to what constitutes real economy in urban growth. One urban Tennessee community is in the process of spending some \$750 million to correct generations of urban developmental mistakes—a sum which figures out to about \$7,000 per home. The ironic part of it all is that the homeowner-taxpayer, instead of saving money, pays dearly for substandard development. He pays first for inferior services, then again at higher rates to do the job right. It is far more expensive to insert urban service facilities into built-up areas than to install them adequately as development occurs.

B. A convenient vehicle has been furnished those who would evade any general responsibility in the development of urban areas, giving them a free hand to "develop" unlimited land to minimal standards and even subverting the efforts of other Federal agencies, such as the Housing and Home Finance Agency, to improve the quality of our urban areas.

C. Comprehensive and coordinated planning of the development of entire urban areas has been unduly complicated by the balkanization of jurisdictions and by the creation of stubborn or even hostile civic subidentities within given urban areas.

D. The burden of correcting developmental mistakes has fallen not on the agencies which made them, but upon the towns and cities, because they, with counties, are the only local governments of general responsibility. As such, they are the only governments answerable to the people about fringe deficiencies, and capable of handling the problems involved.

Correction of this situation will involve changes in Federal and State laws so that all urban growth facilities and services are channeled through cities and towns, or counties where necessary, and through established special districts, or through new special districts only when no other existing entity will suffice.

3. *Favor general governments*

All governments concerned should encourage and require that all services and facilities serving a single urban area be geared to comprehensive planning requirements for that area. Cities and counties should cooperate in securing enabling legislation permitting adequate building codes in unincorporated areas either by counties or by cities in their planning regions, to afford adequate protection to both public and private property interests.

Situation report.—Duplication of facilities sometimes occurs where jurisdictional contests are involved, resulting in actual excess and wasteful capacity. More commonly, facilities such as streets, disposal plants, water plants, etc., are underdesigned or uncoordinated because only a part of the overall problem is considered and the particular jurisdiction simply ignores the full dimensions of the need.

This policy plank may be implemented in both a positive and a negative fashion: by increasing grants and making loan terms more favorable where comprehensive planning is practiced, and by the opposite where it is not. Such

features already are parts of some Federal grant and loan programs. They should be a part of all. And they should be part of any complementary State programs.

4. *Annex and preempt*

Tennessee towns and cities must vigorously annex and improve all that sub-urban territory which is urban now, and they must jealously guard and protect their preemptive service rights and developmental interests in all that area which will be the "other half" of urban Tennessee by the turn of the century—when our urban population literally will have doubled.

Situation report.—Tennessee municipalities now have a considerable stockpile of tools to effect the first of these goals. They may prevent separate fringe incorporations. They may annex urban or urbanizing territory at their own volition. Additional State-shared funds are apportioned for annexed populations. They may invoke authorized regional planning powers and thereby achieve a balanced land use, regulate subdivision development, etc., within 5 miles of the city. They are protected by law against the establishment of utility districts within their urban areas and against the extension of utility district services into their urban areas.

Federal grants ranging from 50 to 90 percent of the cost of water and sewer systems are available under various programs. The Housing Act of 1965 will make grants available for fully improved suburbs, including "growth factor" capacities of facilities. Technical assistance is available from a host of Federal and State agencies, and particularly in an "urban growth analysis service" soon to be offered jointly by the municipal technical advisory service and the Tennessee State Planning Commission.

The net of it is: No city need stand idly by and see its natural growth area despoiled. Every kind of help which is needed to prevent this happening is at hand.

Cities now know how to prevent the growth mistakes made in the past—mistakes which have required all the urban renewal projects, the slum clearance projects, the emergency public works projects, the street widening and improvement programs, and so on, which almost no city has been spared. If cities fail once again to avoid these growth errors during the next 35 years, when Tennessee's urban population will increase from the present 2 million to more than 4 million, the corrective cost will be absolutely intolerable. The inevitable result will be the degradation and decay of our urban way of life.

Cities, therefore, must oppose with vigor and dedication any move toward substandard urban development within their urban orbits.

5. *Public understanding*

Cities, towns, and counties, their State and National organizations, and all affiliated interests with a vital concern for the cause of sound urban growth must diligently pursue every avenue of approach to a general public understanding of the urban growth problem and to the reflection of this understanding in public policy at every level of government. We thoroughly endorse and commend the objectives of the Joint Task Force on Substandard Urban Development of the National League of Cities and the National Association of Counties. These two organizations representing the local governments of general responsibility have adopted policy defining and condemning urban growth to less than adequate urban service standards.

Joint action at the local national levels is needed to implement this policy.

Situation report.—Substandard urban growth is the biggest threat facing our towns and cities. Sound urban growth represents our greatest opportunity to achieve decent cities—cities which are built right, right from the start.

Which of these results will actually obtain—fine Tennessee cities in the year 2000 or a State full of "slurbs," a term already coined to designate suburban slums? The answer depends entirely on how well the public at large, as well as local, State, and National governing bodies and administrative officials, is brought to a level of understanding of the problem which will assure development in the public interest. Primary responsibility for the cultivation of that understanding rests with the officials directly concerned—the democratically chosen, democratically responsible leaders of our towns and cities.

STATEMENT OF HON. JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF
NEW YORK

Mr. Chairman, it is indeed a pleasure to present my views before this committee as a cosponsor of S. 1766. I also speak as a Senator from a State that truly has a critical and immediate need for assistance in the financing of rural community water systems.

Nearly 800 rural New York communities with populations of 100 people or over are without water systems. They can be found by traveling only a few miles off the superhighways into the back country.

The shortage of rural water systems is tragic enough, but the suffering of many New York State farmers and rural residents is further compounded by the continued critical severe drought which began 3 years ago in the eastern section of the Nation.

The public press daily cites examples of New York farmers and rural residents who have difficulty obtaining water and are still obtaining it from shallow wells—many of which are contaminated—or are forced to carry water great distances for their use.

New York State residents have shown so much interest in the need for adequate rural water facilities that there is now special legislation being considered by the 1965 State legislature to streamline State water laws. This legislation, for example, will make it possible for the Farmers Home Administration to make loans to rural water districts as well as small villages for financing community water systems.

I am especially pleased to note that S. 1766 would increase the size of the communities eligible for loans to include those up to 5,000 population.

I am also delighted that the bill provides for grants, when needed, and that the amount of loans and grants available to any one community is being set at the realistic figure of \$4 million. The bill will substantially increase the loan program which is now faced with a backlog of applications.

Because desirable water sources and good reservoir sites are becoming more difficult to find, it is necessary for two to three towns and villages or in some cases for several water districts to join forces to fully and most efficiently develop good water sources and properly distribute this water.

Increasing the financing ceiling to \$4 million will be vital to New York's rural water development program since, in many cases, larger, more adequately funded groups can develop water supplies most efficiently.

The provision for grants in S. 1766 will make water systems possible in some financially pressed communities which otherwise could not afford this improvement.

This Nation has begun efforts on all-out war on poverty, on crime, and on removing social injustices. Many unsolved problems, however, still remain. For the urban and rural areas throughout the Northeast and in other sections of the country, one such problem is the growing crisis over curtailed water supplies which is now reaching emergency dimensions. The danger area ranges from southwestern Maine into Virginia.

New York's rural areas have for the past 3 years suffered from parched crops and destroyed pasturage. As Federal officials have recently stated, the most widespread problem from the drought will be dried up supplies for farms and country residents who depend on shallow wells. For the past 2 years New York, as the second largest producer of fluid milk, has felt the squeeze of blighted pasturage and resulting increased production costs of milk. Dairymen from New York, New Jersey, and Pennsylvania last year sought drought relief on a number of occasions from the Department of Agriculture. In New York, four counties were designated eligible by the Department of Agriculture for Farmers Home Administration emergency loans. Twenty-two counties were authorized eligible for livestock grazing and hay harvesting on lands diverted from production and farmers in 27 New York counties were declared eligible by the Department for purchases of surplus feed at below the market price.

A powerful and prosperous Nation such as ours should not allow the enemy of drought to win even limited battles. It is up to the Federal Government in conjunction with State and local authorities to wage an all-out war on drought and to win it.

It is my sincere belief that S. 1766 will prove an important and necessary expansion of vital programs throughout the State of New York and across the Nation in building a stronger and more viable rural economy.

[Excerpt from the Congressional Record, Senate, June 15, 1965]

WAR ON DROUGHT—ADDED FEDERAL HELP NEEDED

Mr. JAVITS. Madam President, this Nation has begun efforts on all-out war on poverty, on crime, and on removing social injustices. Many unsolved problems, however, still remain. For the urban and rural areas throughout the northeast and in other sections of the country, one such problem is the growing crisis over curtailed water supplies which is now reaching emergency dimensions. The danger area ranges from southwestern Maine into Virginia. Three days ago, Governor Hughes, of New Jersey, declared a state of emergency in four northern counties in that State whose water supplies had reached new lows. Six days ago, an Interior Department official declared that the current northeast drought, especially in southeastern New York and northern New Jersey, had surpassed both in severity and duration the previous drought record in these areas during 1929 to 1932.

New York State, as has many other areas, has suffered substantially from drought conditions. New York City's reservoirs, which hold approximately 476.5 billion gallons, are at substantially lower levels than at the same time last year. They are 54.9 percent full, down to 261.7 billion gallons. Tighter regulations to restrict the use of water are being put into effect and city dwellers have been urged by Water Commissioner D'Angelo to reduce their water use by one-third.

New York's rural areas have for the past 3 years suffered from parched crops and destroyed pasturage. As Federal officials have recently stated, the most widespread problem from the drought will be dried up supplies for farms and country residents who depend on shallow wells. For the past 2 years New York, as the second largest producer of fluid milk, has felt the squeeze of blighted pasturage and resulting increased production costs of milk. Dairymen from New York, New Jersey, and Pennsylvania last year sought drought relief on a number of occasions from the Department of Agriculture. In New York, four counties were designated eligible by the Department of Agriculture for Farmers Home Administration emergency loans. Twenty-two counties were authorized eligible for livestock grazing and hay harvesting on lands diverted from production, and farmers in 27 New York counties were declared eligible by the Department for purchases of surplus feed at below-the-market price.

A powerful and prosperous nation such as ours should not allow the enemy of drought to win even limited battles. It is up to the Federal Government, in conjunction with State and local authorities, to wage an all-out war on drought and to win it. Some improved weapons for Federal use against drought in rural areas have been provided under the rural water project loan program of the Farmers Home Administration Act of 1961. Under this program, between January 1, 1961, and December 1964, the FHA made or insured more than \$72 million in loans to finance work in 37 States.

On February 4, when the President's farm message was submitted to the Senate, I stated on the floor that I believed expanded authority for Federal aid for drought relief was urgently needed and that it was regrettable that the message did not include reference to improved programs in this area. This view was also contained in the minority views of the recent report of the Joint Economic Committee of the Congress.

Vital new weapons have recently been proposed by legislation introduced on April 13 by the distinguished senior Senator from Vermont [Mr. Aiken], together with 93 Senators, of whom I am happy to be one, to expand the direct and insured loan program by the Secretary of Agriculture to public and nonprofit agencies for development of rural water systems and to make grants for facilities for distribution of water in these areas. The bill expands the eligibility of rural communities to cities and towns having a population in excess of 5,000 inhabitants. The increase from \$200 to \$450 million for the insured loan program for rural water systems is vitally necessary in view of the present \$80 million backlog under this program. This legislation (S. 1766) is directed at overcoming one of the greatest handicaps to rural development—the shortage of water for thousands of communities for industrial and residential growth. It is important legislation and its prompt passage would contribute substantially to solving critical problems of drought in many rural areas. So is S. 24, now pending on the Senate Calendar, legislation to expand and accelerate the saline water conversion program of the Department of the Interior.

Additional vigorous efforts are needed to solve problems of drought in both urban and rural areas by providing development of new supplies of water and

converting previously unusable supplies of water for human consumption and industrial uses. This includes development of our existing water resources, rivers, and lakes, accelerated antiwater pollution resources and expanded efforts to uncover new sources such as by desalinization of salt water and use of artificial rain. I urge the Department of Agriculture and the Weather Bureau in the Department of Commerce, responsible for the latter program, to double its efforts in finding new ways to win the war on drought.

I ask unanimous consent to have printed in the Record recent statements in the New York Times and Herald Tribune of June 13 and 14.

There being no objection, the statements were ordered to be printed in the Record, as follows:

[From the New York Herald Tribune, June 14, 1965]

"A PERMANENT WATER EMERGENCY?"

"New York City's water supply system, so the planners said when they reached out to the distant Delaware River branches, would be adequate to the year 2000.

"Yet there is no emergency right now. We have an enormously enlarged storage capacity—perhaps doubled since the celebrated 1950 shortage. But the reservoirs are half empty. Again, the whole Northeast suffers another year of drought.

"Of course, the planners couldn't have foreseen Nature's failure to cooperate. Perhaps they didn't even calculate adequately on increased uses of water, what with industry's demands, air conditioning, swimming pools, and so on. And this only proves again that the best of plans can still fail in comprehension.

"The immediate necessity is to make do with the existing water supply. This means stern conservation. Governor Hughes' crackdown in northern New Jersey makes sense. New York City is no better off; Commissioner D'Angelo ought to be tightening our own restrictions even further.

"But is this enough? We believe not. For the whole business of rules, education, and exhortation rests on the assumption that sooner or later the rains will come again. The city and indeed the entire metropolitan region ought to be planning as though the present emergency were here to stay.

"What's to be done for the long pull? For one thing, New York City needs universal metering to enforce economical use of water. For another, repair those leaky mains that are forever bursting. And let's look to the Hudson River; surely this mighty resource pouring to the ocean is being wasted. It's a sad commentary on government and all of us that the Hudson has become an open sewer. Clean it up not only for beauty, but for service.

"The drought that's been with us 4 years is warning enough. The water supply has got to be assured, by efficient use and by imaginative planning from the Hudson to that Long Island desalting program. The safe course is to insure against nature."

[From the New York (N.Y.) Herald Tribune, June 13, 1965]

"DROUGHT AND PROPHECY: 'DAY NEW YORK WENT DRY'"

"(By William G. Wing, of the Herald Tribune staff)

" 'This wasn't just a water shortage,' the blurb reads, 'it was a whole city turning into a desert. A city surrounded by rivers that it couldn't drink.

" 'A handful of men were working like mules to head off the disaster. And every nut, fink, and faddist in town was working to foul them up.

" 'But they weren't the dangerous ones. The dangerous ones were the people who were just doing the usual.

" 'Sitting around waiting to drop dead of thirst. The way they had since 1964.'

"This is the preface to a novel, 'The Day New York Went Dry,' published in April. It was written in California, winter before last, by Charles Einstein, on the proposition that the drought that began in New York in 1961 continues to the point of disaster.

" 'I'm a little bit ashamed at the way things have been going in New York,' Mr. Einstein said by phone from Marin County, just outside San Francisco.

"He was talking about New York's graceful compliment in trying to follow his script. He spoke from a region where surplus drinking water is bubbling

over the spillways. But Mr. Einstein, a native New Yorker, was in no mood to gloat.

"‘Some of the things happening are right out of the book,’ he said, ‘the fountains being cut off, no water served in restaurants.’"

"‘Every 10 years,’ Marlowe said to Bess, ‘New York has a water shortage. It’s a part of the rigid art form.’"

"‘I added two and two and it looks like I came up with a four. I’m not startled at what’s happening, but I’m not pleased.

"FICTION

"‘This was supposed to be science-fiction, written to be believable, but not true in the end. My thesis is that the better a water system is, the more dangerous it can be because it invites complacent use. In a place that’s congenitally short of water, the people are accustomed to using only a little. It’s just the opposite in New York. As soon as they finished the first big conduit in the 1890’s, everyone sat back and said, ‘It ain’t never going to be used up.’"

"‘I’m not trying to knock the heads of the New York water system for not predicting this drought. They couldn’t possibly predict it—no one did. * * *

"‘Doomed by its own greatness was the New York City water supply. And so Mayor Wagner and Commissioner D’Angelo and other top officials stood accused, in the abstract of that autumn in New York, of, if anything, doing their jobs too well.

"‘There was water, and it was their job to make sure there would be more water, and they were doing their job, and the people knew it.

"OVERUSED

"‘(And the people used the water, overused the water, abused the water—that odorless, tasteless, transparent liquid that descends from the clouds in rain, and which, the Bible says, God can withhold by way of punishment.)

"‘Mr. Einstein said the idea for his book came from the editor of Gold Medal Books, Knox Berger. The theme agreed on by author and editor was that, while ‘Fail Safe’ and ‘Seven Days in May’ hinged on crises controllable by man, Mr. Einstein’s book would hinge on a crisis over which man has no control: lack of rain.

"‘This is not only the theme of the book but the chief cause of anxiety in the municipal buildings’ upper floors and in a skyscraper overlooking the East River at Wall Street. In these two sites are the offices of the department of water supply, gas, and electricity, which operates the city water system, and the State-created board of water supply, which plans and builds the city’s system. Last week, as the drought continued, engineers in both bodies were undergoing a basic revision of thinking for this reason :

"‘New York is enduring the longest period of drought that has occurred in the three-and-a-half centuries since Henry Hudson went up the river.

"EVIDENCE

"‘This, at least, seems to be the evidence of records. New York’s engineering records on rainfall, streamflow, and ground water go back only a century at the longest. Its social records, which might indicate unusual periods of weather, go back only a few centuries more. Apparently, there never has been a successful scientific effort at determining the recurrence of droughts over a good long time, like a millenium, by the study of such things as tree rings, pollen deposits, and geologic clues.

"‘All water systems are built on records. Curves—‘mass curves’ they are called—are drawn of such things as rainfall, water consumption, and growth of population. Lines are drawn from peak to peak on the curve, bridging the valleys of past droughts, to discover how big the supply would have to be to keep from running dry in the worst drought that has ever occurred.

"SAFE YIELD

"‘The final result is a statement of capacity called by water engineers the safe yield. It is the key to all systems and the figure over which all the technical controversy about the city’s present water plight will rage.

"‘Members of the board of water supply freely concede events have proved that their safe yield figures was too high.

"The worst drought of the past was a 2-year period in the thirties; this was long ago exceeded by the present 4-year drought. The board also points out, though, that the public couldn't have been asked to spend millions for reservoirs that couldn't be justified on the basis of experience.

"New water systems are not only expensive but slow to develop. The average lapse from the time the idea is proposed until water runs through the mains is a quarter of a century.

"New York's planners are faced, moreover, with a demand whose scale is rarely appreciated. The volume of water used by the city is more than one-twentieth of all the water supplied by municipal systems in the United States.

"AWESOME

"The city consumes, day in and day out, a volume of water equal to more than half the mighty Hudson River as it flows now past the gaging station near Albany. Demand on such a scale precludes almost all of the hasty solutions to water shortages put forward in crises.

"For a quick solution, the best possibility is the one that occurs at the end of 'The Day New York Went Dry.' In the book, the city is in terrible straits when—aw, you might as well buy the book and find out."

[From the New York Times, June 13]

"REPORTS FROM THE NATION—DROUGHT

"PARCHED NORTHEAST

"An Atlanta restaurant, advertising to New Yorkers in big black letters 'all the water you can drink without request,' brings home to them that, thanks to the drought, they must order water even when they aren't drinking bourbon.

"New York fountains that use city water have been turned off. Watering lawn and gardens is restricted, use of private swimming pools banned. And city dwellers have been exhorted by Water Commissioner Armand D'Angelo to reduce their water use by a third.

"The drought extends far beyond New York, however. It stretches from southwestern Maine into Virginia. In severe or moderate form it covers two-thirds of New York, all of New Jersey, and half of Pennsylvania.

"It's at its worst over the New York watershed in the Catskills and the Hudson Valley. That area, normally humid, has been in drought for 4 years, since the fall of 1961, according to Wayne C. Palmer, climatologist of the U.S. Weather Bureau.

"The rain gages show that this drought, in intensity and duration, is the most severe in the region in 50 years. What caused it?

"Apparently the prevailing pattern of upper-air currents has shifted more to the northwest than normal, according to Mr. Palmer. That is, the air masses that move in the lower half of the troposphere—the lower 20,000 feet of the atmosphere—are coming from the Northwest rather than the West as they approach the east coast. As they approach the Appalachians traveling from west to east they tend to bulge into Canada.

"The direction affects the motion. Normally, the airflow is upward. As air rises in the lower atmosphere it cools, its relative humidity increases and when it is cool enough it forms rain clouds.

"But in the last 3 years the more northerly flow of the air currents has resulted in a phenomenon weathermen call subsidence, the air masses subsiding or sinking down toward earth.

"Because the flow comes from a more northerly area, its temperature is lower. This flow halts warmer air masses, particularly in the ridge of air over the Appalachians.

"What happens then is just the opposite of the direction of the churning motion needed to make rain. The cooler air masses sink down and are compressed by the ridge. The ridge warms them and dries the air, inhibiting precipitation. Normally, the upper air goes through a wringer that squeezes out moisture. Under subsidence they go through a process like a laundromat's drier.

"The last time New York City's reservoirs were full—storing 176.5 billion gallons of water—was in 1961. Now, with the depletion period starting, they are 54.9 percent full—down to only 261.7 billion gallons.

"Does this mean that New York could have a water famine in October? Yes, indeed, Water Commissioner D'Angelo holds. But they need not, he says. New Yorkers use about 75 gallons a person a day. If each New Yorker could cut his use to 25 to 50 gallons a day, Mr. D'Angelo estimates, the city will make out, without famine."

Senator AIKEN. Mr. Stanley E. Lundin, of South Londonderry, Vt., was scheduled to testify but I understand he was unable to come today. If Mr. Lundin wants to send in a statement and will send it promptly, we will see to it that it gets printed in the record.

We will hold the record open until next Wednesday for additional statements if anybody wants to send them. I understand Fred Heinkel, of Missouri, wants to file a statement and Harry Graham of the National Grange will comment on the bill during his testimony on the farm bill next Monday.

(The statement and testimony referred to above are as follows:)

COLUMBIA, Mo., June 22, 1965.

GEORGE D. AIKEN.
U.S. Senator,
Washington, D.C.:

The Missouri Farmers Association, with more than 150,000 members, wholeheartedly endorses S. 1766 and urges its enactment. I sincerely appreciated your giving me a copy of this bill when I appeared before the Senate Committee on Agriculture and Forestry last week.

FRED V. HEINKEL,
President, Missouri Farmers Association.

[Excerpt from statement of Harry L. Graham, Legislative Representative, National Grange, on farm programs, June 21, 1965]

Mr. GRAHAM. As to rural water and sewerage, the most critical problem facing America in the not too distant future—and not confined to urban areas—is a problem of the supply of water in adequate amounts and of acceptable standards. A beginning must be made in controlling the pollution of our streams at their headwaters. The lack of sanitary facilities and water systems in rural areas is a matter of increasing urgency.

S. 1766 is an excellent proposal to make the same Government facilities available for rural areas as have long been available to our urban fellow Americans. It has our enthusiastic endorsement.

Because we see real opportunity to develop the pending legislation before this committee into a further sound and constructive advance toward the kind of food and agriculture policy in the United States that will serve American farmers and the Nation as a whole, and at the same time will improve the prospects of the United States being an even greater and more constructive influence on the food and nutritional problems, as well as on trade relations of the world, we pledge the best efforts of the Grange to work with the committee in any way that it may be helpful.

(Whereupon at 6:45 p.m., the committee was adjourned.)

(Additional statements filed for the record are as follow:)

STATEMENT OF PATRICK HEALY, EXECUTIVE DIRECTOR, NATIONAL LEAGUE OF CITIES

Mr. Chairman and members of the Senate Committee on Agriculture, I am Patrick Healy, executive director of the National League of Cities (formerly the American Municipal Association), an organization representing over 13,000 cities and towns of all sizes—some in densely populated urban areas and others

in sparsely populated rural areas—throughout the United States. I appear on behalf of the National League of Cities to comment on and suggest amendments to S. 1766, by Senator Aiken and 39 other distinguished Senators, which amends the Consolidated Farmers Home Administration Act of 1961, authorizing the Secretary of Agriculture to make grants and loans to public and quasi-public agencies, nonprofit corporations, and associations for the construction of water systems serving rural areas and to make grants-in-aid for rural community development planning.

The interest of the many large and small municipalities NLC represents in this legislation should be quite apparent, since their officials are charged with encouraging logical urban growth and providing local services, such as water and sanitation, to urban and urban fringe areas efficiently and at a minimum of cost to the public. It is the belief of the officials we represent that legislation such as S. 1766 has led and will continue to lead, if this bill is enacted, to what is called substandard urban expansion and the proliferation of ill-conceived and inefficient special units of local government and private associations which are not equipped to provide urban services to small but urbanizing concentrations of population.

Substandard urban development is well defined in NLC's National Municipal Policy, a copy of which is attached to this statement for inclusion in the record. Briefly, it is urban growth characterized by a lack of comprehensive planning and minimal public facilities. Such growth, typically, occurs in rural areas which are near but not adjacent to urban areas, and much of it is now occurring in the approximately 220 standard metropolitan statistical areas, as defined by the U.S. Bureau of the Census. It has occurred, however, and will continue to occur adjacent to many of our country's smaller cities and towns.

We recognize that the responsibility for substandard urban expansion does not rest solely upon the shoulders of the Federal Government or its Department of Agriculture. As a matter of fact, we are not opposed to the idea of extending the qualities of urban life, such as pure, inexpensive water supplies, to the farm. The Secretary of Agriculture should possess the power to assist individual farmers or small groups of farmers to obtain financing for strictly rural water systems. But it must be recognized that the existing Department of Agriculture loan and insured loan program for rural water systems has led to an alarming increase in substandard urban development adjacent to the municipalities of the Nation.

Perhaps the following factors can be blamed for this undesirable urban growth:

1. States have generally failed to provide for logical urban growth by allowing the formation of single purpose units of local government and private associations with power to provide municipal services, such as water and sanitation, without requiring the installation of facilities in conformity with areawide plans and uniform standards.

2. Similarly, the States have failed to allow municipalities to expand their boundaries to serve growth areas. Broad annexation powers would allow municipalities to prevent substandard urban expansion before it occurs by enabling them to install the facilities and provide the services to areas of new growth.

3. The Federal Government, in an effort to bring the qualities of city life to rural areas, has provided financing for water systems which are adequate to serve isolated farmhouses, but which, inevitably, end up serving more extensive residential developments inadequately. S. 1766 is an example of the legislation being considered by Congress during this session which would broaden this authority.

4. Finally, many municipalities and counties fail to recognize the necessity and logic of planning for sound and orderly urban growth, thereby allowing substandard urban development to arise at their doorsteps. Such municipalities and counties should plan for their growth by adopting a master plan, zoning resolutions, building codes, and the like, all of which would help insure the sound and orderly development of their entire community.

It appears, at first blush, that the language of S. 1766 has been drafted with sound planning and development requirements in mind. But we are alarmed by what a close reading and strict interpretation of its provisions reveals as the actual scope of the legislation.

I. PLANNING REQUIREMENT

What appears to be an excellent planning requirement has been included in part (iii) of subsection (3) of the amended section 306(a). This planning requirement, however, applies only to the grant program authorized by this legislation. It does not apply to the loan or insured loan programs, both of which have already encouraged and will, if this bill is enacted, stimulate further substandard urban expansion as much as the grant program. The Secretary of Agriculture is given, furthermore, over 3 years of leadtime to put the grant program into operation without requiring that grants made pursuant to this legislation conform to the planning requirement of section 306(a). As a result, this planning requirement is sharply limited in its scope.

Consequently, we strongly urge that S. 1766 be amended as follows:

1. Line 8, page 3, should read: "(3) No grant or loan shall be made and no loan shall be insured under paragraphs 1 or 2 of this".

2. Lines 22, 23, 24, and 25, page 3, should be deleted beginning after the period on line 22.

These amendments would, on the one hand, require that loan programs would come under the planning requirement and that, on the other, the leadtime before application of the planning requirement be eliminated.

Part (iii) of this subsection fails to indicate how the Secretary shall determine that a project is consistent with a comprehensive community water plan for the area. Since many States, counties, and municipalities have developed such plans, we suggest adding the following language to insure that consistency with the plans for water development will be achieved:

Following the period on line 22, page 3, add "In order to determine consistency or inconsistency with a community water development plan for the area where the proposed project will be located, the Secretary shall establish regulations requiring the submission of applications to appropriate State agencies and any political subdivisions operating or franchising the operation of a water or sewer utility within 25 miles of the proposed project, and such comments shall be attached to the application forwarded to the Secretary. The Secretary shall give full consideration to such comments when furnishing financial assistance to proposed projects."

These suggested amendments would make the planning requirement meaningful but still allow the Secretary of Agriculture to assist rural areas with the development of rural water systems. They would implement a general recommendation concerning planning requirements for Federal grant and loan programs made by the Advisory Commission on Intergovernmental Relations in its report entitled "Impact of Federal Urban Development Programs on Local Government Organization" and "Planning and Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas." These recommendations have been endorsed and are supported by the National League of Cities, the National Association of Counties, and many other organizations of public officials.

The suggested amendments are also in keeping with the Public Health Service's Advisory Committee for State Legislation on Planning of Urban Water Supply and Sewerage Systems. This ad hoc committee has just completed drafting recommended State legislation (a copy of which is attached to this testimony for inclusion in the record on S. 1766) governing the planning and regulation of water supply and sewerage services. This suggested legislation is now under consideration for inclusion in the Council of State Government's suggested State legislation. We fully expect the council to adopt these suggested acts as a part of its legislative program for States, and, as a result, this legislation should be enacted by a number of States. The National League of Cities fully supports these suggested acts and encourages its membership to support their passage at the State level.

II. CONSTRUCTION OF RURAL SYSTEMS IN CONFORMITY
WITH ADJACENT PUBLIC WATER SYSTEMS

Most of the grants, loans, or insured loans authorized by these amendments to the Consolidated Farmers Home Administration Act will be made in areas within reasonable proximity to existing public (municipally operated or franchised) water systems. We have no objection to the Department of Agriculture assisting with financing rural water systems as long as the systems will be used to supply territory which will remain sparsely populated and continue to have

rural characteristics, such as being devoted exclusively to the production of crops. There is a natural tendency, however, for some of those who receive grants, loans, or insured loans under this program to use the improved water supply system to promote the physical growth of the area served by the system. In other words, the existence of water which is distributed to a rural area can be used to attract buyers to a residential area close to an incorporated or unincorporated urban place. The reason for the attraction is simple—the residents will be offered the amenities of urban life based upon a water supply, without having to pay for other urban services, such as streets, police and fire protection, sanitation, schools, and the like. Should the water supply upon which this development is founded prove to be inadequate to serve the residential development which it precipitated, someone, probably the adjacent public water system, will be required to provide the necessary water supply in addition to the other local services the new development requires. In any event, the adjacent public authority will, in all probability, be required to improve the originally installed rural water system to conform with urban demands when the urban area grows to include the residential development spawned by the rural water system.

This artificial urbanization of remote areas has the further disadvantage of scattering existing public services. Schools must be constructed in these areas or schoolchildren must be transported greater distances to be educated, and both of these alternatives result in greater costs for the citizens of local areas. While the advantages and amenities of town are at hand, the residents of the newly urbanizing area bear relatively little of the cost of financing the extension of local governmental services to their homes.

The avoidance of this costly long-term problem of substandard urban expansion, requires the adoption of the following amendments to S. 1766 :

Add a new subsection (4) to read, and renumber all succeeding subsections ;

“(4) The Secretary shall establish regulations governing the making or insuring of grants or loans for projects located within 25 miles of any public water system which will require :

“(i) the proposed project, if it will be located within 5 miles of a public water system, shall be constructed as a part of said system, if the operator thereof possesses the power to operate said public water system without its corporate limits: *Provided, however,* That if the proposed project is located within 5 miles of two or more public water systems, the Secretary shall require it to be constructed as a part of that public water system which will permit the most economical and convenient construction of the proposed project.

“(ii) the proposed project, if it will be located within an area from 5 to 25 miles of a public water system, shall be constructed in such a manner that it will be capable of being connected to such public water system when the growth of said public system makes such connection economical.”

This amendment will allow Congress to enact S. 1766 with the knowledge that water will be supplied to rural areas which have the potential of becoming urban in character on a basis which will insure sound and orderly development. Congress will also be able to act with the knowledge that the potential residents of these areas will not be subjected to living in a substandard urban environment just because the original water system was planned, financed, and constructed without giving proper attention to the growth potentials of the area the system was supposed to serve. The residents of such areas would also be protected against the subsequent costs involved in reinstallation of adequate utility service. Such costs have, in some cases, been demonstrated to be a major factor in the decline of suburban areas and, where imposed upon homeowners, a serious hardship.

The language “public water system” used in the suggested amendment must be defined in the legislation. We suggest the following language, to be included as a new subsection (9) :

“(9) Public water system, for the purposes of this Act, shall mean any water sytem operated by a political subdivision of any State or any water system whose operation is franchised by any such political subdivision of any State.”

III. LIMITATIONS ON AMOUNTS OF GRANTS AND LOANS

Part (iii) of subsection (2) of the amended section 306(a) has the practical effect of preventing local governments from qualifying for grants, loans, or insured loans under this legislation. This is due to the fact that this language limits public bodies to assistance equal to that which is in excess of the amount

which can be legally financed by the body and for which alternate financing is not available. Local governments are bound by debt limitations of varying kinds and types, but, almost universally, local governments are not limited in the amount of debt they can create to finance water system improvements. Thus the language of this section, since alternate methods of financing which are permitted by law are available, prevents local governments from participating in the grant, loan, and insured loan programs authorized by this bill. We strongly urge, therefore, that part (iii) of subsection (2) of the amended section 306(a) be deleted from S. 1766 in its entirety.

IV. PREFERENCE FOR GENERAL UNITS OF LOCAL GOVERNMENT

S. 1766 would permit grants, loans, and insured loans to be made to associations, quasipublic and public agencies alike. A similar provision is found in the existing language of the Consolidated Farmers Home Administration Act of 1961, but few public agencies have been the recipient of loans or insured loans authorized by that act. In light of the primary responsibility of local government for providing or regulating the provision of water and sanitation services, in addition to other municipal services, the Department of Agriculture should encourage general units of local government, such as cities, towns, and counties, to participate in the programs authorized by this legislation. To that end, we suggest the addition of a subsection (10) to the amended section 306(a), to read as follows:

“(10) The Secretary shall, in the absence of substantial reasons to the contrary, make or insure grants and loans under the authority of this Act only to cities, towns, counties, and other units of general local government.”

This suggested amendment also conforms to the recommended policy for Federal grant and loan programs which has been adopted by the Advisory Commission on Intergovernmental Relations in its publications entitled “Impact of Federal Urban Development Programs on Local Government Organization and Planning” and “The Problem of Special Districts in American Government.” These recommendations are also endorsed and supported by the National League of Cities, the National Association of Counties, and other organizations of public officials.

The National League of Cities strongly supports progressive programs which will bring the full amenities of life to all citizens of the Nation, especially the citizens of rural areas which, traditionally, have lagged behind the standards of living enjoyed in urban areas. We must be ever mindful, however, that the Nation has an overwhelming investment in the established urban areas of the country, their facilities, and services. We cannot afford the luxury of the enactment of legislation which would undermine these services and facilities through poorly planned and powerfully influential utility development.

We urge, Mr. Chairman, the committee's careful attention to our suggested amendments as an essential step in the perfection of legislation which has a commendable goal and a worthwhile objective.

(The attachments to Mr. Healy's statement are as follows:)

RECOMMENDED STATE LEGISLATION FOR PLANNING AND REGULATING WATER SUPPLY AND SEWERAGE SERVICES

One of the growing public health problems today is achieving satisfactory water supply and sewerage services in urban areas. Another problem which seriously threatens sound urban and rural growth is the increasing incidence of urbanlike development in nonurban areas. Increasing concentration of population throughout the country creates problems with respect to adequate and safe water supply and disposal of sewage and other waste material. Widespread and uncontrolled use of individual wells and septic tanks in and near urban areas endangers the public health because of associated hazardous chemical and bacteriological contamination.

Orderly planning and installation of community and individual water and sewerage services in these areas are required to protect the public health. The Advisory Commission on Intergovernmental Relations has specifically recommended with regard to urban areas that “legislation be enacted endowing the appropriate State and local agencies with regulatory authority over individual wells and septic tank installations, with a view to minimizing and limiting their use to exceptional situations consistent with comprehensive land use goals.”

A survey made by the U.S. Public Health Service in January 1963 showed that, although every State has broad authority to regulate sanitary practices, no State has legislation specifically establishing policies which would limit the use of individual water supply and sewage disposal facilities in urban areas on the basis of comprehensive plans for population distribution and for the provision of community sewer and water systems.

In June 1964, the Public Health Service established an ad hoc Advisory Committee for State Legislation on Planning of Urban Water Supply and Sewerage Systems. Representatives from Federal, State, local, and industry organizations were appointed to review proposed legislation dealing with these problems. In its deliberations, the Committee fully supported the concept of planning in urban areas and, together with adequate and safe criteria for water supply and for sanitary disposal of sewage, provided a comprehensive approach to planning and regulatory control for water supply and sewerage services on a statewide basis. This suggested three-part legislative package contains the Urban Water Supply and Sewerage Systems Act, the Water Well Construction and Pump Installation Act, and the Individual Sewage Disposal Systems Act, and the accompanying regulations.

The suggested legislation is consistent with the policy statement appearing in the Council of State Governments' program of suggested State legislation for 1957, which recommended a broad program for water resources planning, water supply, and water pollution control. It would also fill a need for specific provisions in State legislation concerning the individual well and septic tank problem.

The Urban Water Supply and Sewerage Systems Act provides for the development of an official community plan for water and sewerage systems consistent with the needs of the area and for the control of installations.

The Water Well Construction and Pump Installation Act regulates the development of ground water systems and the location, construction, repair, and abandonment of water wells, and the installation and repair of pumps and pumping equipment to assure protection against possible contamination and to maintain a safe and potable water supply.

The Individual Sewage Disposal Systems Act regulates the design, construction, installation, operation, and maintenance of individual disposal systems and the proper planning thereof.

POLICY STATEMENT OF NATIONAL LEAGUE OF CITIES ON SUBSTANDARD URBAN EXPANSION

Extensive substandard urban expansion in suburbs of cities of all sizes and otherwise rural areas is creating an unwholesome environment and is causing a deficit of billions of dollars of unmet public needs because adequate public facilities are not provided. We call on municipalities, counties, States, and the Federal Government to launch a coordinated attack on substandard urban growth to insure that present and future urban residential, commercial, and industrial development is properly planned and adequately supplied with community facilities and services.

This substandard urban expansion is characterized by a lack of comprehensive planning; minimal public facilities such as the dangerous use of private water sources and septic tanks even in metropolitan situations; minimal, if any, services in such fields as fire and police protection; marginal and overloaded schools; inadequate building regulation; insufficient zoning and land use control; lack of sufficient recreational or cultural facilities; street construction at minimal rural road standards where city street standards are needed, and with no provision for systematic drainage; and, in general, by an almost total disregard for all those requirements of public facilities and services essential to the urban way of life. The cost of providing adequate public facilities, in such areas is conservatively estimated to be up to \$5,000 per house. Experience proves that "insertion" of public facilities in such unplanned, spreadout, and inadequately served subdivision, house and lot, and commercial development will cost property owners three to five times as much in the long run as development properly planned and served from the beginning. Public sewers in planned subdivisions often cost less than septic tanks. Planned developments require less acreage and expense for individual residential and commercial lots, and insure ample parks, playgrounds, schools, streets, and other community facilities for the use of all. Spreadout, unplanned development requires excessive investments in more public

and private service facilities—more sewer, gas, and water pipes; more electric and telephone lines; more streets; etc. Further, such “inserted” facilities are usually inferior in comparison with those installed as initial development occurs in vacant land allowing use of the best planning and engineering principles.

Certain Federal programs encourage undesirable sprawl by financing partial public facilities and urban housing which (1) do not take into account population trends; (2) are not required to meet adequate standards; (3) require or permit the creation of special districts that bypass general governments; or (4) are not part of a plan that takes into account how the particular program will affect the overall growth of the area. Among Federal agencies involved in these practices in the fields of public facilities and urban housing are Farmers Home Administration, Community Facilities Administration, Federal Housing Administration, Veterans’ Administration, Area Redevelopment Administration and its accelerated public works program, the rural areas development program of the Department of Agriculture, and the General Services Administration’s surplus real property disposal program. Some States have neglected the needs of urban areas through failure to give adequate powers and financial resources to general governments to deal with urban growth problems and by encouraging the establishment of utility or other special districts which frequently are undemocratic and have no comprehensive responsibility for the whole welfare of the community.

Other Federal agencies—notably, the Advisory Commission on Intergovernmental Relations, the Public Health Service, and some segments of the Housing and Home Finance Agency—as well as a few non-Federal agencies such as this association, the Association of State and Territorial Health Officers, the National Association of Counties, U.S. Conference of Mayors, and the American Public Health Association have become increasingly aware of the extent and seriousness of this problem of substandard sprawl. They have concluded that the taxpayer is not getting balanced benefits in some of the 43 Federal aid programs affecting urban development and that States and local governments of general responsibility are not meeting these problems head on.

Corrective measures proposed thus far which we commend include: (1) Urging a strengthened Federal administrative organization to coordinate the many activities of the Federal Government which affect urban development; (2) urging the several States to assume greater responsibility for sound urban development by instituting programs which would substantially supplement Federal financial and technical assistance to local government faced with burgeoning sprawl problems; (3) urging the States and the Federal Government to foster and facilitate metropolitanwide planning for sewer and water service and to forbid the use of private water supply sources and septic tanks in any suburban area where public water and sewer systems are feasible including the adoption of policy governing Federal loan guarantees for urban housing which are consistent with these objectives; (4) revising Federal and State laws which tend to create or favor single-purpose and other special districts so as to assign the performance of a new public service or the extension of an old one to existing general governmental units; (5) providing adequate legal authority in State laws for central cities to annex and to exercise extraterritorial powers in urbanizing fringes to permit areawide planning and long-term investments in public facilities essential to serve a growing urban community; (6) requiring all special districts to report to and submit certified audits to designated State agencies so that the public accountability of these entities may be substantially upgraded; (7) promoting functional and comprehensive planning as an integral part of any and all Federal aid programs, and (8) encouraging economical and efficient development of public facilities by removing population limitations on public facility loans of the Community Facilities Administration, on planning assistance grants, and on sewage treatment grants.

The President paid special attention to the problem of substandard sprawl in his proposed Housing and Community Development Act of 1964 when he advocated generous loan and amortization schedules to insure that suburban development will be fully planned, fully developed, and fully served, including special provision for excess capacities in utilities and for land acquisition to serve future growth. We endorse these provisions and urge their enactment.

We believe, however, that all of these measures are not enough. We believe that the crushing need of this urban hour is first, that the full impact of substandard urban sprawl be fully understood, and second, that a comprehensive plan of action for the prevention and correction of urban sprawl problems be formulated. We recommend therefore, that the league and the National Asso-

ciation of Counties combine forces to produce a comprehensive plan for the abatement and prevention of substandard urban expansion embracing corrective measures suitable for application at all levels of government. Model State laws and ordinances, recommended procedures and organizational structures, and other information should be developed as guides to State and local governments. We strongly endorse the concept of standards to govern local use of Federal program funds contained in the "workable program for community improvement" of the Housing and Home Finance Agency. For 10 years, in order to qualify for Federal urban renewal and low-rent housing programs, municipalities have met the "workable program" standards for planning and regulatory codes designed to prevent spread of blight. Comparable standards are a prerequisite for State or local participation in other Federal aid programs, including assistance for planning, highways, airports, hospitals, open space, etc. It is urgent that a comparable "workable program for urban development in suburban and rural areas" be developed and adopted by the Congress as a prerequisite for use of Federal housing and public facility programs in new urban development. We recommend that this task force give high priority to efforts to accomplish this objective.

We authorize appropriate cooperation with public services foundations, the Advisory Commission on Intergovernmental Relations and other governmental agencies, and other private associations concerned with this problem.

(NOTE.—The drafts of model legislation and regulations submitted by Mr. Healy are on file with the committee.)

BALA-CYNWYD, PA.,

June 18, 1965.

Senator ALLEN J. ELLENDER,
Chairman, Senate Committee on Agriculture and Forestry,
Senate Office Building, Washington, D.C.

My name is John H. Murdoch, Jr., and I am president of National Water Company Conference, a nonprofit trade association of investor-owned water companies. My office is 309 Barclay Building, No. 1 Belmont Avenue, Bala-Cynwyd, Pa. I am also a member of the legislative committee of the American Water Works Association. I ask that this telegram be presented to the members of Senate Committee on Agriculture and Forestry at its meeting at which the committee will consider S. 1766 and that this telegram be incorporated in the hearing record as my statement. I fully concur in the statements made by E. R. Healy in his telegram to you dated June 16, 1965, concerning S. 1766. It is my suggestion that your committee recognize the fact that most of the areas in which water facilities would be installed under the bill are fringe tracts adjacent to core communities within which core communities adequate water works systems owned by either municipally owned or by investor-owned public utilities are in existence and are operating. It is also a fact that when the fringe tracts develop after water becomes available under such programs as are contemplated in S. 1766 the fringe system becomes inadequate and a need develops to unite that system with the core system under common operation. I respectfully urge that S. 1766 be so amended as to require that fringe area water systems be so designed, constructed, and legally constituted as to facilitate combination with the water system in the core community. This is in the public interest.

Respectfully submitted.

JOHN H. MURDOCH, Jr.

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INSURED FARM LOANS

PLEASE RETURN TO USDA
NATIONAL AGRICULTURAL LIBRARY
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HEARING BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 5075 and S. 709

BILLS TO AMEND THE CONSOLIDATED FARMERS HOME
ADMINISTRATION ACT OF 1961 IN ORDER TO INCREASE
THE LIMITATION ON THE AMOUNT OF LOANS WHICH
MAY BE INSURED UNDER SUBTITLE A OF SUCH ACT

MAY, 6 1965

Printed for the use of the Committee on Agriculture and Forestry



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INSURED FARM LOANS

THURSDAY, MAY 6, 1965

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL CREDIT
AND RURAL ELECTRIFICATION OF THE
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:45 a.m., in room 324, Old Senate Office Building, Senator Spessard L. Holland presiding.

Present: Senator Holland.

Senator HOLLAND. Now, we will go to this next bill.

H.R. 5075 is an act proposing to amend section 308 of the Consolidated Farmers Home Administration Act of 1961 to raise the limit of certain loans that may be insured by Farmers Home Administration from \$200 to \$450 million.

I ask that the act be inserted in the record, and that the short explanation of the act as furnished to the committee by our staff, and the report of the Department of Agriculture thereon which was made on S. 709, the Senate bill which is a companion to the House bill, H.R. 5075, also be included in the record. The report is contained in a letter to Senator Ellender, the chairman of the full Senate Committee on Agriculture and Forestry, dated February 23, and signed by Secretary Freeman.

(H.R. 5075, together with staff explanation thereof, and S. 709 and accompanying report are as follows:)

[H.R. 5075, 89th Cong., 1st sess.]

AN ACT To amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. That section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by striking out the figure "\$200,000,000" and inserting in lieu thereof the figure "\$450,000,000".

SEC. 2. That section 308(a) of the above cited Act is amended by striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note;"

SEC. 3. That section 308(b) of the above cited Act is amended by striking out the entire subsection (b) and inserting in lieu thereof a new subsection (b) as follows: "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan."

SEC. 4. That section 309(c) of the above cited Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof

"all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; any remainder of any such charge".

SEC. 5. That section 309(f)(1) of the above cited Act is amended by striking the figure "\$25,000,000" and inserting in lieu thereof the figure "\$50,000,000".

Passed the House of Representatives March 15, 1965.

Attest:

RALPH R. ROBERTS,
Clerk.

SENATE COMMITTEE ON AGRICULTURE AND FORESTRY, SUBCOMMITTEE No. 2,
STAFF EXPLANATION OF H.R. 5075 (S. 709)

SHORT EXPLANATION

This bill would—

(1) Increase the limit on loans which may be insured under subtitle A of the Consolidated Farmers Home Administration Act (real estate and similar loans) in any one year from \$200 to \$450 million;

(2) Repeal the provision prohibiting agreements by the Secretary to purchase such insured loans in less than 3 years from the date of the note;

(3) Permit the Secretary to fix the insurance charge retained by him from borrowers' payments, and the portion of such charge deposited in the insurance fund (instead of at least one-half of 1 percent of the outstanding principal obligation in each case); and

(4) Increase the amount of loans made from the insurance fund which the Secretary can hold at any one time for future sale to \$50 million (from \$25 million).

H.R. 5075 and S. 709 are identical in substance, differing only in form.

DEPARTMENTAL VIEWS

The Department of Agriculture recommends enactment. Increase in insured loan authority will reduce need for appropriated funds for direct loans and take care of expanding demand. Part of the expanding demand results from recent additions of new purposes for which loans may be made, such as recreation, fish farming, shifts in land use, and rural community water supplies. In fiscal 1964 the \$200 million insured loan authority was fully committed by early May and the \$60 million available for direct loans was committed by June 1. The Department states that the insurance authorization only permitted the making of loans to approximately 50 percent of the qualified applicants.

The Department states that due to the time lapse between the making of loans and the receipt of notes by the insurance fund, about \$15 to \$25 million of the \$200 million insurance authority is tied up at all times; and that an increase of the authority to \$450 million will commensurately increase the amount tied up, making it necessary to increase the amount of notes which the Department may accumulate for sale to \$50 million.

Authority to reduce the insurance charge below the current minimum, and to provide for repurchase in less than 3 years will enable the Secretary to keep yields competitive with other investment opportunities and assure a continuing availability of private funds.

OBJECTIONS IN FILE

None.

SUGGESTED AMENDMENTS

None.

[S. 709, 80th Cong., 1st sess.]

A BILL To amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f)(1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000".

DEPARTMENT OF AGRICULTURE,
Washington, D.C., February 23, 1965.

HON. ALLEN J. ELLENDELL,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 709, a bill to amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A and for other purposes. S. 709 proposes an increase from \$200 to \$450 million in the annual authorization for the insurance of loans by the Farmers Home Administration. It removes the minimum insurance charge that must be retained by the Secretary and the minimum amount which must be transferred by the Secretary to the insurance fund. It also increases the aggregate amount of loans which may be insured and held in the insurance fund before sale.

We recommend enactment of the bill.

The proposed increase from \$200 to \$450 million in the aggregate amount of loans that may be insured annually under this act would be required to enable the Department to assist an additional number of eligible applicants for loans authorized under subtitle A of the Consolidated Farmers Home Administration Act of 1961, Public Law 87-128, as amended. Farmownership loans are made to assist family farmers to buy, enlarge, or develop farms and to refinance debts. Soil and water conservation loans are made to individual farmowners or tenants to assist them to improve, protect, and properly use their farmland. Soil and water conservation loans are also made to public and quasi-public bodies and nonprofit associations for the development and use of water and to carry out soil conservation practices and shifts in land use that serve farmers, ranchers, and rural residents.

Additional loan purposes for farmownership and soil and water loans were authorized in 1962 by Public Law 87-703. Farmownership loans were authorized for recreational enterprises on family farms and for fish farming. Important new authorizations were also provided to enable the Farmers Home Administration to make or insure loans to associations for shifts in land use, including the development of recreational facilities. Greater emphasis has been placed on making loans for forestry purposes since that time.

Applications for insured farmownership and soil and water conservation loans to individuals were received during fiscal 1964 at the rate of 3,198 per month, and loans were made at the rate of 1,235 per month. Initial farmownership loans averaged about \$16,965. The demand for insured loans for all purposes in fiscal 1964 resulted in a total commitment of the \$200 million authorization by early May of 1964. In fact, the insurance authorization only permitted the making of loans to approximately 50 percent of the applicants qualifying for loans.

There were 14,837 applications for farmownership and individual soil and water loans on hand June 30, 1964, and this number increased to 16,324 by December 31, 1964. During that period loans were made at over 1,200 per month.

Under Public Law 87-128, a source of credit has been made available to small rural communities in the United States which do not have an adequate and safe water supply. In closely settled rural communities, it is difficult and costly to obtain and develop sources of water supply free from contamination or pollution. In addition to the 15,000 rural towns which do not now have domestic water systems, there are many thousands of fairly heavily settled rural areas in which the use of individual family shallow wells create the hazard of contaminated domestic water supply which can be remedied either by obtaining water from deep wells or the development of a group domestic water system.

The Farmers Home Administration has found that the new water development legislation has created tremendous demands for loans throughout the entire

Nation as reflected by the number of applications now on hand. In 1960, soil and water conservation loans to associations were made in only 10 States; in fiscal 1963, they were made in 34 States; and in fiscal 1964, such loans were made in 39 States. These loans have averaged about \$120,000 each. During the first half of this fiscal year, 167 loans have been made for \$19 million and there are applications now on hand for soil and water loans to associations totaling approximately \$118 million.

These loans are available only to individuals and organizations which cannot secure the necessary financing from other credit sources. Credit is usually not available for establishing a new water distribution system by a nonpublic agency. Even where a new system is undertaken by such public bodies as small rural towns and rural water districts they are unable to provide the needed revenue required by commercial-type investors. Hence, if rural areas are to be served with satisfactory water supplies and distribution systems which are essential factors in maintaining our rural health and economy, it will be largely through the credit available under Federal programs.

Of significant importance in addition to the new authorization to serve small towns and rural communities is the authorization to make or insure loans to associations for shifts in land use. Generally, such shifts in land use will result in a reduction in the production of crops that are in surplus supply. This will enable small towns and nonprofit organizations to obtain loans through the Farmers Home Administration for the purpose of developing recreational facilities, such as community swimming pools, little league baseball fields, fishing lakes, and many other facilities for healthful outdoor recreation which can be enjoyed by families living in the community and surrounding urban areas. The demand for shifts in land use appears to be increasing rapidly as rural communities which have long been in need of revitalization seek to provide important public improvements. A lack of credit for such improvements has plagued rural areas for many decades.

An increase in the authorized amount of insured loans will reduce the need for direct Government loan funds for farmownership and soil and water loans. During fiscal 1964, the obligation of direct funds was discontinued for several months while the \$200 million of insured loan authority was available. Under current money market conditions an increase in the insured loan authorizations would permit meeting the credit needs of more of the applicants for farmownership and soil and water loans with insured funds and would thus effect a savings in sums authorized to be obligated for direct loans. However, the amendment of section 309(f)(1) is needed to effectively operate the proposed increased program of insured loans.

The proposed increase from \$25 to \$50 million in the limitation on the amount of loans that may be made out of the insurance fund, but not sold and insured at any one time, is necessary to prevent undue delays in closing loans for eligible applicants. Under the present \$200 million annual authority to insure loans, approximately \$15 million of the \$25 million limitation is encumbered at all times. This encumbrance is the result of a time elapse between the date the insurance fund issues loan checks and the date the notes for such loans are received by the insurance fund. This time elapse is required for closing of loans in the field offices. After the notes are received by the insurance fund they are sold to investors as soon as possible, thereby keeping the loans in the fund at any one time below the present \$25 million limitation. The proposed increase in the annual loan insurance authority from \$200 to \$450 million if enacted would cause the amount of loans that would normally be in the insurance fund to exceed the \$25 million limitation because of the time required between issuance of checks and receipt of notes for sale. Therefore, unless the limitation is increased, loanmaking activities will be delayed. It would also be desirable to be able to accumulate some notes in the insurance fund so that large orders from investors could be filled more expeditiously. The change to \$50 million would not permit additional loans to be made above the annual legislative ceilings and it would not add any additional cost to the Government.

The amendments of section 308 (a) and (b) and section 309(e) are necessary to assure a continuing availability of private funds for the making of insured loans or the purchase of loans made out of the fund to be sold and insured because of fluctuations in the investment market. Under these changes the yield to the investor could be made comparable to the yield of other obligations on the market. By varying the amount retained by the Secretary out of payments by the borrower, the amount payable to the investor could be increased without sale of the loan at less than the balance due on the obligation at the time of the sale. The amount to be retained would be determined by the Secretary at the time of loan closing or original sale out of the fund and could be varied upon resale of the

loan after repurchase by the Secretary pursuant to the repurchase agreement in the insurance endorsement. The period of nonredemption by the Secretary would be left to the discretion of the Secretary as a further aid in the sale and insurance of loans.

The flexibility proposed in the foregoing changes is essential in order to enable the Secretary to adjust the rate of return to the lender and the period of nonredemption in accordance with the changing conditions of the money market and thus attract the investment of private funds in these insured loans.

The need for funds for salaries and other administrative expenses will be increased for fiscal year 1966. In order to provide for processing loan applications and servicing the increased number of insured loans which would be authorized under the proposed increase of \$250 million, additional personnel will be needed throughout the United States.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

Senator HOLLAND. We have been supplied with statements by Senator Burdick, of North Dakota, Senator Gaylord Nelson, and Senator Vance Hartke, all supporting this bill. They are cosponsors of the bill, and I ask that their statements be included in the record.

(The statements referred to are as follows:)

STATEMENT OF HON. QUENTIN N. BURDICK, A U.S. SENATOR FROM THE
STATE OF NORTH DAKOTA

Mr. Chairman, adequate low-cost credit at reasonable terms of repayment is indispensable to the maintenance and strengthening of farm family agriculture in this Nation.

The small family farmer who needs to enlarge his acreage to become more efficient or who needs to adjust his farm operation to take efficient advantage of technological and marketing changes is doomed unless he can obtain sufficient credit. The young farmer who wants and who should get into agriculture is most often foreclosed from doing so because of lack of credit.

With land market prices steadily increasing from the pressure of absentee land investors; with prices of machinery, equipment, and facilities rising year after year; the need for more and more farm credit becomes greater.

The enactment of S. 709 which would increase the annual authorization for insured loans by the Farmers Home Administration from \$200 to \$450 million is urgently needed.

Ever since this administration took office in 1961, Farmers Home Administration has insured farm loans up to the limit of its authorization, an authorization that has been completely inadequate to meet the minimum demands for such credit.

To emphasize this point let us examine the farmownership loan situation as it now exists:

In the first 8 months of this fiscal year 1965, Farmers Home Administration has obligated some \$125 million in insured farmownership loans. On February 1, there were still some 16,000 loan applications on file which, if developed, would require an additional \$217 million. This means that if the Farmers Home Administration stopped accepting farmownership loan applications as of last month, it would have loan requests for more than \$342 million—or \$142 million more than the present legal limitation for all insured farmownership, water system, and recreation development loans.

But this is not all. At the rate of loan application filing since December of last year, Farmers Home Administration will end up with an additional 15,000 farmownership loan applications by June 30, 1965.

Translated in dollars, Farmers Home Administration will have a total of more than \$500 million just in farmownership loan requests during this fiscal year—two and half times as much as the present authorization permits.

This national problem of inadequate credit is reflected in my own State of North Dakota.

Last year, fiscal 1964, under the \$200 million national limitation, Farmers Home Administration was able to make 482 insured farmownership loans for a total of \$8.8 million.

As of February 28, 1965—in just 8 months of this fiscal year—Farmers Home Administration has already insured farmownership loans for a total of \$7.5 million.

As of the same date, they still had 800 loan applications on hand. Out of these applications and those that will be received before June 30 the agency could insure loans totaling more than \$13 million. That means if minimum credit needs in North Dakota are to be met a total of \$20 million would be needed for fiscal 1965—nearly two and a half times as much as was loaned and available a year ago under the present limitation.

But the insured loan program of the Farmers Home Administration covers more than farmownership loans—it also includes insured loans for community water systems, various conservation projects, and recreational development.

With the new and necessary emphasis of this administration to revitalize rural America, to shift land to new uses, to make rural communities more attractive, to raise standards of living, to meet the growing urban demand for more recreation areas, the demand for this kind of credit is accelerating by leaps and bounds.

In 1960, the volume for this type of community development loan from Farmers Home Administration was less than \$1 million. Last year it was more than \$34 million. Next year and the years after, the demand and the need will be even greater.

Nationally the agency has association loans totaling some \$81 million that have been tentatively approved and are tabled because of lack of insured funds.

Most of these loans are for the development of rural water systems. If the communities that have applied for this credit are to obtain an adequate supply of water this year they need the funds this spring.

The impact of community development loans is far reaching. In Tennessee, for example, where \$6.6 million has been advanced in insured loans a recent survey of 8 small rural communities showed that 123 new homes have been built along the waterlines and 6 new businesses have been attracted to the communities. Land values have risen and local merchants have benefited from the sale of bathroom and kitchen equipment, hot water tanks, and washing machines.

Reports from Tennessee indicate that the people there appreciate the value of developing water systems and recreation areas. Rural groups have applications on file with the Farmers Home Administration totaling more than \$15 million for the development of 73 community development projects.

Mr. Chairman, from these figures it is only too obvious that this legislation is needed at once. An insured loan imposes no burden on the Federal Treasury, no additional burden on the taxpayer because these loans are repaid with interest. The only expense is for carrying the insurance, for necessary administrative purposes, and for the much needed technical supervision which Farmers Home Administration gives to the borrowers. The relative cost of this is nominal.

STATEMENT OF HON. GAYLORD NELSON, A U.S. SENATOR FROM THE STATE OF WISCONSIN

Mr. Chairman, I appreciate this opportunity to submit testimony in support of S. 709, of which I am a cosponsor. It would increase the annual authorization for insured loans made by the Farmers Home Administration from \$200 to \$450 million.

An ample supply of credit is urgently needed to improve net farm income, to help family-type farms, and to enable many part-time farmers to expand their to family-type operations. The need for this increased authorization has been apparent for the past 3 fiscal year.

Insured loan funds have been exhausted well in advance in each of these 3 years. I have been advised that the Farmers Home Administration had on hand, as of February 28, some 17,000 applications for farmownership loans and 1,350 applications for loans for water systems and land-use shifts. The agency at that time already was running low on funds.

Even the proposed new ceiling of \$450 million would not be sufficient for fiscal 1965 to cover all the applications received. This national rural credit gap is reflected in the experience in my own State of Wisconsin.

As of March 31, the Farmers Home Administration had approved a total of 380 Wisconsin farmownership loans for \$6.1 million but still had on hand 635 applications for initial farmownership loans. If they could all be approved, and if funds were available, more than \$11.1 million would be involved. Thus farmownership credit needs in Wisconsin for this fiscal year from the Farmers Home Administration are more than \$17.3 million. This is almost three times the amount of money available.

The Farmers Home Administration also has 20 association loan applications on file from Wisconsin for recreation areas, community water systems, and shift in land-use projects. These applications are for more than \$2.5 million. These insured loans, as well as those for farmownership, are covered by this authorization.

The relative cost of this requested increase is nominal, and an insured loan imposes no burden on the Federal Treasury. These loans are repaid with interest. The Farmers Home Administration reports that the loss ratio on these loans is extremely low, somewhat less than one-half of 1 percent.

There is every indication that the need for insured loans will increase in Wisconsin, and in all rural areas, because of an increase in land values and a growing number of young farmers who want to get established or to make their farms more efficient by adding more land.

In Wisconsin we also are particularly interested in the recreation features of this insured loan program. Tourism is one of Wisconsin's major industries.

Many farm families realize that with modest loans it is possible to shift some or all of their land to income-producing campsites, fishing and swimming areas, trails, and farm vacation facilities.

This is a new opportunity for farmers who want to stay on the land and increase their income.

A recent survey of 83 recreation projects financed by Farmers Home Administration loans showed that average net income was increased an average of \$1,458. The added income the first year was \$2,000 or more for 25 of these enterprises.

In addition there are a large number of Wisconsin rural communities that need insured credit from the Farmers Home Administration to construct urgently needed community water systems and recreation areas.

Credit has been available for several years for small rural communities that do not have an adequate and safe water supply. It is costly in some areas to obtain and develop water sources that are free of contamination and pollution.

These insured loans are available, of course, only to individuals and organizations which cannot secure the necessary financing from other credit sources. Credit usually is not available to a nonpublic agency for establishing a new water distribution system. Even public bodies such as small towns and rural water districts have difficulty obtaining necessary credit.

This bill, Mr. Chairman, is an opportunity to help revitalize our rural economy and to make a sound investment in the future of rural America.

STATEMENT OF HON. VANCE HARTKE, A U.S. SENATOR FROM THE STATE OF INDIANA

This morning I call attention to H.R. 5075, which would increase the limit of loans which may be made by the Farmers Home Administration from the existing \$200 to \$450 million. The Farmers Home Administration is doing, and will continue to do, a fine job in my State of Indiana and other States with regard to loans for individual farmers for improvements and in the important field of loans for water systems for small towns throughout the United States. At this time, unfortunately, there are currently more applications pending than exists money or the authority to fund them. Work for water systems cannot begin in these small, but important communities. I would like to call to the attention of the committee members the following projects in Indiana which have been approved, but cannot be funded:

Water conservancy district	County	Number of taps	Amount
Silver Creek Rural Corp.	Clark	1 482	\$447, 280
Santa La Hill, Inc.	Spencer	1 112	204, 000
Geneva Township Water Co.	Jennings	1 111	155, 000
Washington Township Corp.	Mourne	1 300	384, 500
Underwood Water Co.	Clark	57	60, 000
Lyford Water Works, Inc.	Parke	124	105, 000
Rykers' Ridge Water Co. (extending system)	Jefferson	58	84, 000
Total		1, 244	1, 445, 780

¹ Includes 1 or more public schools.

In addition to these, Mr. Chairman and members of the committee, as of March 31, 1965, the following applications were pending from 21 Indiana counties for funds totaling \$8,514,580:

Name	County	Number of taps	Amount
Silver Creek Rural Corp.....	Clark.....	1 482	\$447, 280
Tri-Township Water Corp.....	Dearborn.....	1 546	595, 000
Santa La Hill, Inc.....	Spencer.....	1 112	204, 000
Geneva Township Water Co.....	Jennings.....	1 111	155, 000
Washington Township Corp.....	Monroe.....	1 300	384, 500
Underwood Water Co.....	Clark.....	57	66, 000
Watson Rural Water Co.....	do.....	1 445	645, 000
Finch-Newton Water Corp.....	Spencer.....	80	94, 000
Bloomington-Benton Water Co.....	Monroe.....	1 635	580, 000
Yankeetown Water Corp.....	Warriek.....	1 125	120, 700
Edwardsville Water Corp.....	Floyd.....	1 231	340, 500
Lyford Water Works, Inc.....	Parke.....	124	105, 000
Holton Water Co.....	Ripley.....	120	136, 000
Reo Water, Inc.....	Spencer.....	1 127	177, 200
And-Tro, Inc.....	Perry.....	1 170	255, 000
Rykens' Ridge Water Co. (extending system).....	Jefferson.....	58	84, 000
Butlerville Water Corp.....	Jennings.....	250	250, 000
Everton Water Association.....	Fayette.....	60	75, 000
Morgan County Rural Corp.....	Morgan.....	400	600, 000
Otwell Water Association.....	Pike.....	250	300, 000
Cataaet Lake Water Association.....	Owen.....	100	150, 000
Town of Elizabeth.....	Harrison.....	175	200, 000
Campbelltown Water Association.....	Pike.....	50	50, 000
Stendal Water Association.....	do.....	50	50, 000
Elrod Water Co.....	Ripley.....	100	100, 000
Southern Monroe Water Corp.....	Monroe.....	800	1, 000, 000
North Lawrence Water Corp.....	Lawrence.....	900	1, 000, 000
Town of New Providence.....	Borden.....	150	150, 000
Prairietown Water Co.....	Vigo.....	75	75, 000
Town of Jentryville.....	Spencer.....	100	125, 000
Total.....		7, 193	8, 514, 580

¹ Includes 1 or more public schools.

It would serve the Nation and certainly my own State if the committee approves H.R. 5075. The Farmers Home Administration could go on with the work of improving rural communities so that these areas can support themselves, rebuild, and move on through with modernization, light industry, and tourism development and that posterity can be served with a clean, adequate water supply or look forward to developing better farm methods and adequate loans.

Senator HOLLAND. Senator Burdick had asked to be personally heard on this bill, but he was assigned the day before yesterday to go to Europe on important Senate business, and asked me to see that his statement was filed in lieu of his appearance.

Mr. Bertsch, we are glad to have you here to be heard on behalf of the Farmers Home Administration.

You may proceed.

STATEMENT OF HOWARD BERTSCH, ADMINISTRATOR, FARMERS HOME ADMINISTRATION; AND HOWARD V. CAMPBELL, DIRECTOR, FARMERS HOME DIVISION, OFFICE OF THE GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. BERTSCH. Thank you, Mr. Chairman. I have with me in addition to Mr. Campbell, representing the Office of General Counsel, Mr. Larry Brock, who is the Assistant Administrator in the Farmers Home Administration with responsibility for relationships with the private investors who make investments in Farmers Home Administration.

Senator HOLLAND. We are glad to have Mr. Brock and Mr. Campbell here. And you may refer matters to them as you think appropriate as you proceed with the testimony.

Mr. BERTSCH. We appreciate this opportunity to discuss H.R. 5075, a bill which would increase the annual authorization for insured loans made by the Farmers Home Administration from \$200 to \$450 million.

As you know, Mr. Chairman, in the insured loan program we take funds that have been made available by private investors and use these funds to make certain types of loans. We insure the repayment of the loans and carry on all of the loanmaking and loan-servicing functions.

Senator HOLLAND. Do you participate in these loans or are these loans wholly made by private investors?

Mr. BERTSCH. These loans are wholly made by private investors.

We started making loans in this manner in 1947. Through the years, and especially since 1961, various steps have been taken to improve this type of financing until today we believe it is one of the smoothest running operations in the entire Federal credit system.

The response from the banking community and from other investors has been excellent.

The losses have been minimal. The demand is steadily increasing.

Senator HOLLAND. Just what have the losses been?

Mr. BERTSCH. The losses have been about five one-hundredths of 1 percent.

Senator HOLLAND. Will you show for the record the exact volume of the loans that have been insured, the exact amount of the loans that have been repaid, and the exact amount of the losses that have been incurred?

Mr. BERTSCH. We would be glad to do that, Mr. Chairman.

(The information is as follows:)

As of Dec. 31, 1964:

Loans insured.....	\$937, 823, 867
Loans repaid.....	192, 289, 728
Losses.....	457, 304

Mr. BERTSCH. The types of loans that can be financed in this manner have expanded through the years. H.R. 5075 affects three major loan types: farmownership loans, rural community water system loans, and loans to bring about shifts in the use of land.

For the sake of clarity I will discuss each of the three types separately.

Farmownership loans are used to improve and develop family-type farms, to buy land, and to refinance debts. These loans were first authorized in the thirties. They were the first type to be made on an insured basis.

The demand for this type of credit is greater today than it has ever been before.

There are several reasons. The Consolidated Farmers Home Administration Act of 1961 broadened this program. Previously it had been limited to financing a narrow band of family-size farms. The 1961 act expanded this type of credit to the full range of family farms. The 1961 act also substantially increased the amount that could be loaned on any one farm.

Young farmers need this sort of credit to take over the farms that are being placed on the market by their retiring elders.

Established farmers need this sort of credit to enlarge and update their operations in the endless drive to overcome today's narrow profit margins by continually increasing efficiency.

Many farmers need our credit to work their way out of financial difficulties. Sometimes their troubles stem from purchase contracts that contain terms and conditions they cannot meet.

In many cases they need to use some of their equity in real estate to restructure, on manageable terms, short-term debts incurred for long-range improvements.

The demand for this type of credit is reflected in the overall figures on farm debt. Since 1960, the real estate debt of farmers has climbed from \$12.1 to \$18.8 billion—a 50-percent increase in a 5-year span.

The pressure for this form of credit also shows up in the applications that are accumulating in our county offices.

We have every reason to believe that the demand for farmownership loans will be greater a year from today than it is today. We believe that the future security of the family farm depends to a considerable degree on the expansion of the insured farmownership loan program proposed under H.R. 5075.

The need for many farmers to enlarge their holdings continues. The average age of farm operators is rising, increasing the requirements for establishing young farmers. The cost-price squeeze continues.

In addition to farmownership loans we finance soil conservation, drainage, irrigation, and farmstead water development with individual insured loans. This phase of insured loan activity is relatively small in the total picture though exceedingly important to the farmers who use this credit service. In an effort to limit my comments to the main issues I will not elaborate on this credit need.

Rural community water system loans are used to develop and improve water systems in rural areas including small towns with less than 2,500 population.

The demand for this type of credit is also increasing.

Part of the increased demand stems from the fact that the Consolidated Farmers Home Administration Act of 1961 broadened the program by permitting loans to groups of rural people in open country or in towns of less than 2,500 for the development of water systems without regard to the number of farm families that shared the water supply.

Part of the demand rises from the fact that the engineers of the Farmers Home Administration have found a way to build dependable rural water systems at a cost so low that systems can be financed today which heretofore were not economically feasible.

But the main demand comes from the cumulative effect of a long unfulfilled and widespread need for this type of community facility.

More than 30,000 rural areas are today without a modern water system. As more and more of the people in these areas hear about what their neighbors have accomplished in the way of bringing water into their homes the demand for this credit assistance will continue to increase.

In all of our years of ministering to the credit needs of family farmers and rural communities we have never seen a service that was as greatly appreciated as the rural community water system program.

Country people who all their lives have taken for granted that they would have to haul water a good part of the year now have water on tap in their kitchens and bathrooms 24 hours a day.

Land values go up when a water system is built. Homes are remodeled. New, small but vital industries spring up. Young people take a second look at their home community. The availability of pure water delivered to farms and homes under pressure is a powerful force in rural community development and revitalization.

In addition to rural water system loans we finance soil conservation, drainage, and irrigation facilities on a group basis.

Insured loans are also made to groups of rural people to shift land into better use including recreation and grazing. This is a relatively new credit service.

Loans to shift land use were first authorized in the Food and Agriculture Act of 1962.

The demand for credit to shift land into rural recreation centers stems from rural leaders who know if their community is to prosper it must have recreation facilities that will (1) make the community more attractive as a place in which to live and work and raise families; (2) attract outsiders who have money to spend and are in search of recreation facilities; and (3) encourage those who have left to return.

The demand for credit to shift land into grazing areas comes from farmers whose incomes are shrinking, and who to stay on the farm must have some way to expand their agricultural activities. They see large ranches being placed on the auction block and see the advantage of banding together in an association to acquire the needed land resources.

There are several ways of measuring the need for insured loans. One is past experience.

We have had a \$200 million ceiling in the insured loan program for 3 fiscal years.

In fiscal 1963, our insured authority was committed, and clearly so, during the month of May.

In fiscal 1964, we reached a similar position during April.

This fiscal year, early in December, we could see that we had enough loans in advanced stages of processing to utilize our annual insured loan authorization.

While we are still processing loans that were approved earlier in the year the program so far as serving new applicants came to a halt 4 months ago.

The applications currently on hand, after the insured authority has been exhausted, form another indication of the need.

As of March 31, we had on hand 17,500 applications for farmowner-ship loans and 1,400 for water systems and shifts in land use.

The dockets we have on hand, the applications that are on file, and the general trend of the insured loan programs indicate a demand well in excess of \$450 million a year.

While the major change that H.R. 5075 would make in existing legislation would be to increase the annual insurance authority from \$200 to \$450 million there are three other important amendments included in the bill.

For example, H.R. 5075 would increase from \$25 to \$50 million the amount of loans that can be made out of the agricultural credit insurance fund.

This fund is used to make loans and group them for sale on an insured basis to private investors.

Under the present \$200 million annual insurance authority, approximately \$15 million in notes are being processed through the fund at all times.

This encumbrance is the result of a time lapse between the date the insurance fund issues loan checks and the date the notes for such loans are received by the fund and become available for sale.

The balance of the present \$25 million authority is used to accumulate blocks for sale to national lenders.

The proposed increase in the annual loan insurance authority from \$200 to \$450 million would bring about a corresponding increase in the amount of loans being processed through the fund at any one time.

Unless the limitation is increased loanmaking activities would be temporarily halted whenever the amount of loans being processed reached the \$25 million level.

Increasing the ceiling on the amount of loans that could be in the fund to \$50 million would avoid this type of delay.

In addition, raising the fund ceiling to \$50 million would make it easier to fill large orders from investors.

The change to \$50 million would in no way change the total amount that could be insured annually.

H.R. 5075 would also enable the Farmers Home Administration to sell insured notes at interest rates up to 5 percent and to establish redemption periods consistent with market demands.

These changes would greatly increase the ability of the Farmers Home Administration to meet fluctuations in the investment market.

The proposed changes would not increase the interest charges paid by borrowers.

We were, of course, very pleased with the President's comments in his farm message regarding the insured loan program.

He pointed in several instances to the need for strengthening family farms and recommended an increase in the annual authority to insure loans.

In general, what the President had to say about strengthening rural America is what we have been saying, or at least inferring today.

Rural America to be strong, must be composed of the maximum number of family farms and rural communities.

The insured loan program builds this type of rural economy.

And the insured loan program, in our judgment, has other merits, too.

This type of financing substitutes private capital for capital provided by the U.S. Treasury.

This type of financing creates customers for local credit institutions.

This type of financing uses private funds to serve a public purpose and does so in a manner that guarantees the return of the invested funds. Currently, approximately 3,500 banks and other lenders are investing in these loans.

We have been and are engaged in a wide variety of credit measures to strengthen the rural segment of our national economy.

In our opinion no measure is more vital to the welfare of rural America than the additional financial assistance that would be provided if the principles contained in H.R. 5075 were adopted.

This bill proposes no new programs; it extends tried and tested measures.

The Bureau of the Budget has advised us that there is no objection to this legislation from the standpoint of the administration's program.

Years of experience—we started making insured loans in 1947—have tested the soundness of this approach to financing rural credit needs. To date we have insured \$938 million of funds advanced by private lenders and our losses are five one-hundredths of 1 percent of the principal advanced. These losses, of course, are more than covered by the insurance fees we have collected. In fact, the insured loan fund now holds reserves of some \$15 million.

Thank you, Mr. Chairman.

Senator HOLLAND. I notice you say that up to date, you have insured \$938 million with funds advanced by private lenders, and that your losses are five one-hundredths of 1 percent of the principal. How much of the total insured loans has been repaid by the borrowers?

Mr. BERTSCH. At the present moment, the schedule status of repayments of insured farm ownership loans is 104 percent of maturity. For association loans 98 percent of the amounts matured have been met.

Senator HOLLAND. What does that come to in amount; that is, to what degree has the \$938 million loaned been repaid to date?

Mr. BERTSCH. I think outstanding, there are \$750 million of insured obligations.

Senator HOLLAND. I wish you would file for the record the exact figure on that, stating the date at which it was compiled.

Mr. BERTSCH. We would be glad to do that, Mr. Chairman.

(The information is as follows:)

Outstanding December 31, 1964, \$745,076,835.

Senator HOLLAND. I note in the paragraph at the bottom of page 2 of your statement you say that "since 1960, the real estate debt of farmers has climbed from \$12.1 to \$18.8 billion, a 50-percent increase in a 5-year span." How is that total of \$18.8 billion divided between Farmers Home Administration loans, Farm Credit Administration loans, and private loans that are not insured?

Mr. BERTSCH. The Farmers Home Administration accounts for 6 $\frac{8}{10}$ percent of the real estate debt of farmers.

Senator HOLLAND. Is that by direct loan or does that cover also the insured?

Mr. BERTSCH. That covers both direct and insured.

Senator HOLLAND. The 6.8 percent covers the direct loans which you class as real estate loans, and insured loans?

Mr. BERTSCH. Yes, sir.

Senator HOLLAND. And how is that 6.8 percent divided between the direct loans and the insured loans?

Supply that for the record, please—the exact figures.

Mr. BERTSCH. I can supply that for the record. I don't have it with me.

(The information is as follows:)

Direct, 3 percent; insured, 3.8 percent.

Senator HOLLAND. What is the attitude of the Farm Credit Administration toward this particular bill? Have they filed any statements showing their attitude?

Mr. BERTSCH. To my knowledge they have not filed a statement, Mr. Chairman. We work very intimately with Governor Tootel and his staff. I should not appropriately try to express their attitude, but I have confidence that they are in favor of this.

Senator HOLLAND. We will ask them to express their attitude in a formal statement to us.

I cannot see where there would be any clash between your direct loans and their loans. I can see where there might be some overlap in the insured-loan field unless all care was used to prevent such overlap.

Mr. BERTSCH. We apply the same regulations with respect to qualifications of applicants for insured loans as we do for direct loans; that is, they must establish the fact—the applicant must establish the fact that he cannot get credit from cooperative or conventional lenders. So that as a matter of fact, any applicant who qualified for a Federal land bank loan would not be qualified for either a direct or an insured farmownership loan from the Farmers Home Administration.

Senator HOLLAND. I note that the statement of the farm bureau covers other bills than this, and I ask that in filing the statement that that portion thereof which relates to other bills be omitted.

I note that the farm bureau's statement suggests that their support would lie to the President's original budget message recommendation, which was for an increase of \$100 million in the annual authority for insured loans rather than an increase to the \$450 million covered by the pending bill.

Mr. BERTSCH. Of course, the Bureau of the Budget has approved our submission of testimony supporting the \$450 million level. I assume this earlier \$300 million recommendation was made nearly a year ago when the situation was quite different. It was made in connection with a similar bill which was introduced late in the last session of the Congress.

Senator HOLLAND. I am going to ask that that part of the statement presented to the committee on May 4, 1965, for the farm bureau by Paul Nay, president of the West Virginia Farm Bureau, be incorporated in the record.

(The statement is as follows:)

STATEMENT OF PAUL NAY, PRESIDENT, WEST VIRGINIA FARM BUREAU, JANE LEW, W. VA., REPRESENTING THE AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation represents 1,647,455 paid up member families in 49 States and Puerto Rico. The membership includes farmers and ranchers from every part of the country who produce every kind of agricultural commodity, and who use the farm credit system.

The American Farm Bureau Federation has long supported the agricultural credit program of the Farmers Home Administration. We feel that sound farm credit is one of the great areas of need of farmers and ranchers.

Our basic policy on FHA programs was restated at our last annual meeting as follows:

We favor continuation of both the direct and the insured loan programs of the Farmers Home Administration.

The Farmers Home Administration program should be used only to provide credit for farmers and ranchers to establish and improve economic production units or to provide aid in times of emergency due to natural disaster. We do not favor the use of Farmers Home Administration credit for nonagricultural purposes.

We are aware that the need and demand for FHA-insured loans is far greater than the current yearly authorizations.

We support the President's original budget message recommendation for an increase of \$100 million in the annual authority for insured loans. This constitutes a 50-percent increase in lending authority for fiscal year 1966 over fiscal year 1965 for insured real estate and soil and water loans, thus bringing the annual insured loan authority to \$300 million. We believe this to be a sufficient increase for 1 year. We note in the President's original budget message that only \$75 million of the \$100 million increase requested is to be used for 1966.

It should be understood that the FHA's insured loan program is in reality authority for the FHA to sell notes to investors to refinance loans that have already been made by FHA to the borrower. The investor who buys these notes has no responsibility in servicing the loan. The borrower deals directly with the FHA and all administrative expense is carried by the FHA.

With the statutory limit on interest charged to borrowers at 5 percent, the FHA in the past has experienced some difficulty in obtaining an adequate volume of funds from investors, and with the upward pressure now prevailing on interest rates, further problems may arise in the future.

The basic reason for such problems, of course, is the statutory limit on the interest rate.

The bill provides for the repeal of the part of section 308(a) of the Consolidated Farmers Home Administration Act of 1961, as amended, which provides that no agreement with the purchasers of notes acquired under the program, shall provide for repurchase "by the Secretary at a date sooner than 3 years from the date of the note." Sections 308(b) and 309(c) of the same act, which require that a borrower pay a charge of not less than one-half of 1 percent per annum on the unpaid balance to be deposited in an insurance fund to insure potential losses, would be amended to provide that such charges shall not exceed one-half of 1 percent.

We have serious misgivings with regard to these amendments.

While a reduction in the time that must elapse before the Secretary can repurchase the notes sold to private investors under the program, might help to keep down interest costs, it would further blur the distinction between the insured loan program and direct Government credit.

Initially the law provided that 1 percent of the interest charged the borrower was to be divided. One-half of 1 percent was to be used by FHA for administrative costs of the insured loan program and the other one-half of 1 percent was to go into a reserve, or insurance fund, for the payment of any losses that might be incurred in the program.

In 1961 the act was modified to allow the FHA to use a portion, or all, of the one-half of 1 percent originally set aside for administrative expenses to increase the interest rates negotiated in agreements with lenders. It is now proposed in the pending legislation to do virtually the same thing with the remaining one-half of 1 percent that is now required to be set aside in the reserve or insurance fund.

It is complimentary to those in the administration of FHA that losses to date have been nominal; we are told that only \$300,000 has been lost to date on the insured loans. This is commendable, but the program has not as yet been tested by a period of economic stress. We are advised that the insurance reserve fund is now \$12 million, which appears ample in a period of no losses, but the reserve actually is relatively low in relation to outstanding obligations.

If the one-half of 1 percent charge is reduced or eliminated, additions to the reserve fund will be greatly curtailed. We consider it a sound practice to require borrowers using the credit service of FHA to pay a nominal sum to provide a reserve for possible defaults.

The FHA is becoming increasingly involved in nonfarm rural programs, and we understand that amendments will be offered to the Consolidated Act of 1961 to authorize an even deeper involvement in such programs. Farm bureau is deeply concerned that the long-range effect of expanding the authority of FHA to other areas may be to weaken credit service to farm families.

The bill before the committee addresses itself to only one FHA program, and requests authority to operate this program at the rate of \$450 million per year, an increase of \$250 million. Insured loans are long-term loans, and the accumulated total of such loans will soon reach into the billions; the estimates indicate more than \$950 million for fiscal 1966.

The projected fiscal 1966 funding of all authorized FHA programs exceeds the billion dollar mark. (See table below.)

In view of the comprehensive revision of the FHA program made by the Consolidated Farmers Home Administration Act of 1961, the new authorities

that have since been granted this agency and the rising cost of the total program, we urge the committee to limit changes at this time to the President's original request for an increase of \$100 million in insured lending authority until a thorough review of overall FHA programs and activities can be made.

FHA program funds

[Million of dollars]

	Fiscal 1964 actual	Fiscal 1965 estimated	Fiscal 1966 requested
Rural housing grants and loans.....	130.6	146.1	41.8
Rural housing insurance fund.....			200.0
Rural housing for elderly revolving fund.....	.5	9.0	5.0
Rural housing for domestic farm labor.....			5.0
Rural renewal.....	.2	1.8	3.0
Direct loans.....	360.8	385.6	367.4
Emergency credit revolving fund.....	55.2	68.7	68.7
Agricultural credit insurance fund.....	219.4	274.9	315.2
Salaries and expenses.....	39.0	44.0	46.9
Total.....	805.7	930.1	1,053.0

Senator HOLLAND. And I call attention to the fact that the specific recommendation in reference to the amount of the insured loan program annually is that it shall be \$300 million instead of the \$450 million suggested by this bill.

I note also comment on the concern that the witness apparently feels because "The Farmers Home Administration" is becoming increasingly involved in nonfarm rural programs.

I suggest, Mr. Bertsch, that you study that statement, and if you have any suggestions in reply thereto, we would be glad to have them in writing for incorporation in the record.

Mr. BERTSCH. We will be glad to do that, Mr. Chairman.

(Supplemental statement filed by the Department of Agriculture is as follows:)

The Farm Bureau supports an increase of \$100 million in the annual authority for insured loans. We appreciate this support. We are convinced, however, that a \$250 million increase is needed. Even this increase would not provide all the funds required. For example, projecting current trends we estimate that in fiscal 1966 we will receive applications for farmownership loans that if properly serviced would require approximately \$367 million. We also estimate that requests for funds to finance the development of rural community water systems and shifts in land use to recreation, grazing, and forestry will amount to \$206 million during fiscal 1966. These demands for insured funds will be in addition to demands created by the applications we will have on hand when the fiscal 1966 year begins. These applications will, in themselves, require some \$400 million if properly serviced.

The Farm Bureau also recommends that any changes in the insured loan program be limited, at this time, to an increase in the annual authorization.

We believe that this recommendation is inconsistent with the Farm Bureau's overall support of the insured loan program.

If an insured loan program is to perform its function successfully at any level the program must be flexible in its ability to adapt to changing conditions in the money market. The two provisions that the Farm Bureau would pass over, at this time, would give the insured loan program the required degree of flexibility.

The Farm Bureau also expresses concern about the Farmers Home Administration becoming increasingly involved in nonfarm rural programs.

Our comment here is that the Farmers Home Administration in carrying out new authorities given to the agency by the Congress to provide credit services to rural people who are not farmers is still serving the farm community.

Our family farm system is strengthened whenever a rural community water system, a community recreation area, a senior citizen rental housing project, or any similar facility is constructed in a rural area. Such facilities increase the attractiveness of the whole area, increase the tax base that supports the roads and schools that are essential to the welfare of all families living in the vicinity.

Today as in the past there is a close interdependence between farmers and the community of which they are a part. When one sector of the broad community is strengthened, all sectors are strengthened.

Senator HOLLAND. Have you completed your statement?

Mr. BERTSCH. Yes, sir.

Senator HOLLAND. Thank you very much.

I understand that Mr. Graham is here to testify for the National Grange. We will be glad to hear him next.

We have a letter from the National Grange dated April 23 this year to Senator Ellender, chairman of our full committee, relative to this bill. And I am going to ask that that be placed in the record at this time, with the exception of those portions of said letter that deal with another bill.

(The letter referred to follows:)

WASHINGTON, D.C., April 23, 1965.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Grange has been deeply appreciative of the many courtesies which you and your distinguished committee have accorded us in the past, and would like to request through you to the committee the courtesy of expressing our position on H.R. 5075, an act to amend the Consolidated Farmers Home Administrative Act of 1961.

We commend both you and your committee for their consideration of this important credit legislation, as a part of their continuing interest in farm problems. The problem of farm credit is indeed serious at this point and it needs the immediate attention of the committee and the Senate.

Our concern, however, is increasing because of developments during the last few years which indicate the increasing need and demand for long-term credit at reasonably low costs if the farm operators who have continued to expand their operation as a means of staying in business are to survive.

The phenomena of American agricultural production is based on a technological revolution which has been the direct result of substituting capital for labor. This trend is increasing in tempo. It is complicated by the fact that the prices for agricultural production have not kept pace with the costs of production and consequently the inputs into the agricultural plant have exceeded the outputs for a number of years. Another way of saying this is to remind this committee that farm prices have reached a parity index of 100 percent only twice during the last 50 years and each of these times was when the country was either preparing for war or engaged in war. The parity index is holding at a steady 75 percent.

The obvious result of this expansion of the productive plant without adequate compensation has been that the farmers have been substituting credit for earnings. The capitalization both in land and in the assets of production or the non-real-estate loans have been increasing steadily. I would point out to you that farm mortgage debt index has increased from 100 in 1950 to 249 in 1962. The non-real-estate debt index has increased from 100 to 235 during the same period. All debt has increased from 100 to 362 during this 12-year period; however, the production assets have increased only from 100 to 277. In other words, during this 12-year period the debt index increased by 262 points and the asset index increased by 177. (See table A.)

At present, most of the increase in assets is in real property despite the continued increase in non-real-estate debts. This is also despite the fact that increasing numbers of the so-called production or operating loans are being secured by mortgages on real estate.

At the same time the character of the loans has changed from the regular commercial loans for short-term indebtedness to production credit-type loans and to longer term, lower interest loans such as the Farmers Home Administration. This is partly the result of the availability of credit through our cooperative lending agencies or through our Federal institutions but it is also partly a result of the fact that the rural banks which supply the majority of the private capital for the short-term loans have loaned up to their legal limitation.

Reports from the Independent Bankers Association and the Federal Reserve Board indicate that the rural banks at the present time are loaning about 80 percent of their total deposits which is their legal limit. Indeed, a number of

them are discounting their short-term farm paper for as low as 96 percent in order to get capital on which to operate.

Revised estimates of the total amount of real estate farm debt and non-real-estate farm debt held by nonreporting creditors shows that the non-real-estate farm debt held by reporting institutions has increased from \$2,834 million in 1950 to \$9,465 million in 1964. Of equal significance and more hazardous to the financial structure of American farms is the fact that the debt held by non-reporting creditors, including merchants and dealers, consumers and sales finance companies, and various nonreporting lending institutions, individuals, and miscellaneous creditors, have increased from \$2,320 million in 1950 to \$6,720 million in 1964. It is also significant to note that this last figure compares with an earlier estimate, \$4,500 million for debts held by nonreporting creditors. In other words, these debts are \$2,220 million more than it was believed prior to a recent revision of the estimates. (See table B.)

Much of this latter group of nonreported debts is of a relatively short-term and high-interest character. The hazard is that many of these are demand debts or they are exceptionally expensive to service. We must anticipate that many of these must move from their present relationships into the more permanent-type credit agencies. This movement will be rapidly accelerated if there is any further deterioration in the price of agricultural commodities. Therefore, we think that it is a matter of prudence and caution that legislative provision is being proposed to deal with the anticipated needs of our agricultural producers through the Farmers Home Administration which makes credit available where no other credit can be obtained. The National Grange would prefer that the monetary needs of farmers could be met out of income, instead of out of credit. We cannot forever substitute credit for earnings. Nobody has shown more awareness of this problem than this distinguished committee and we are not going to labor the issue before them. We simply wish to state this concern as a preface to our request that, since adequate income is not possible now, that the legislation providing for the expanded borrowing authority be favorably considered and passed at the earliest possible convenience of the Senate.

Respectfully yours,

HARRY L. GRAHAM,
Legislative Representative, National Grange.

Farm credit, H.R. 4152 and H.R. 2469

TABLE A

Year	Farm mortgage debt	1950-62 non-real estate debt ¹	All debt ¹	Production assets
Changes in farm debt:				
1950.....	100	100	100	100
1962.....	249	222	362	277

¹ Excludes CCC loans.

TABLE B

[In millions of dollars]

Year	Nonreal estate debt (excluding CCC loans)			Earlier estimates of nonreal estate debt held by nonreporting creditors
	Total (revised)	Held by reporting institutions ¹	Held by nonreporting creditors (revised) ²	
1950.....	4,930	2,710	2,220	2,200
1958.....	8,814	4,994	3,820	3,500
1964.....	16,185	9,465	6,720	4,500

¹ All operating banks, production credit associations, Farmers Home Administration, and Federal intermediate credit banks.

² Merchants and dealers, consumer and sales finance companies, various other nonreporting lending institutions, individuals, and miscellaneous creditors.

Senator HOLLAND. All right, Mr. Graham.

STATEMENT OF HARRY R. GRAHAM, LEGISLATIVE REPRESENTATIVE, NATIONAL GRANGE

Mr. GRAHAM. Thank you, Mr. Chairman. I just want to make a few comments on this letter, and to again state to you, who have shown such a great concern about this problem of farm credit through the years, and such knowledge of it, our concern that the needs, especially of the farmers who are without any other credit, should be met in the way that is outlined in this bill as we use private capital as far as possible as we have done in other parts of our Government lending programs outside of agriculture.

The increase in debt which Mr. Bertsch spoke of in his testimony gives us a great deal of concern. The farm debt has increased from an index of 100 in 1950 to 249 in 1962. The non-real-estate index has increased from 100 to 362 during the 12-year period. The index for all debts has increased from 100 to 362. And the real concern is that assets have increased only from an index of 100 to 277.

This, I think, indicates a couple of things. One is that we have been substituting credit for income.

The second one is that there is a trend as far as we can determine to move from the short-term insured credit into longer term mortgage credit. A very distinguished banker's son in Iowa made a statement that I heard only 3 or 4 weeks ago in which he said that at the present time, he was having difficulty determining whether he could as president of this own bank lend himself any more money without putting a mortgage on his own property to his own bank. And there is definitely a shift in this direction. The use of the production credit-type loans for those purposes has come to the point that they simply have to be better secured. This sometimes means moving these over into the Farmers Home Administration type of lending, because they can't get the money from other sources. A part of this is due to the fact that the rural banks, according to the Federal Reserve Board report from Chicago, have loaned just about up to their authority, some 80 percent. And they are discounting their loans as low as 96 percent at the present time.

The independent bankers are very much concerned about this. We also are very much concerned about it. We think that it is not a portent of anything particularly good in the farm credit field. We don't know all the answers to it, of course, except better income would help to pay off some of these farm debts.

But while we try to ride out whatever the length of this storm is that we are into at the present time, we simply must have this type of credit. I am not going to testify on the intermediate credit bank loan, but if it is permissible, I will have the statement filed which I gave to the clerk yesterday. And this covers our concern both ways.

Senator HOLLAND. I note that there is some concern expressed by the farm bureau at such a large increase from \$200 million loan authority a year to \$450 million at one jump. Have you any comment to make on that?

Mr. GRAHAM. We are not as concerned with that as they are, because we at the same time are not as concerned about the nonfarm loans as they are. We believe if we are going to be able to move some of this land out of productive uses and agricultural production into nonagricultural uses, that there must be ways found of doing

this. And this, in our judgment, is a part of the overall pattern which we must follow if we are going to begin to get a stable rural economy that does not depend quite so much on agriculture, we are going to have to move some of this land out of agricultural production.

Senator HOLLAND. You understand, of course, that these insured loans are serviced by the Farmers Home Administration?

Mr. GRAHAM. Yes.

Senator HOLLAND. Do you have any concern about the large increase in the volume of their servicing which would result from such a large increase in the annual limit of their insured loan potentiality?

Mr. GRAHAM. We have got a concern about the need and the cause for this kind of need. I am not particularly concerned—I don't think we are particularly concerned about what is happening here in terms of their servicing this debt so much as we are about what is causing—what is the necessity for it, especially in terms of the increase in the farm part of it. Now, when they get into loaning for rural water systems and things like that, that have to do with farm life, these loans get pretty big pretty fast, and they add up pretty quickly. But this general trend toward increased indebtedness does concern us, very much so.

Senator HOLLAND. Had you given any thought to imposing any limitations in this act; for instance, that such-and-such a part of the \$450 million annual authority would be limited to use only in water system ventures, so much would be limited to changes in land use, and the rest would be limited to use in the traditional pattern of long-term real estate loans?

Mr. GRAHAM. We have thought about it, but actually we do not have the figures that would indicate where this division is, but we would not have any objection if that could be developed in terms of some reasonable projection by the Farmers Home Administration on the basis of that experience, to giving some direction at that point. This is certainly within the province of Congress as we see it.

Senator HOLLAND. Well, it would seem to me that there should be real concern about too great a diversion from the traditional concerns of the Farmers Home Administration which, since the beginning, has been with reference to the farm home and farmstead itself, and the appropriate farmownership, development, facility construction, and the like on that farmstead.

Mr. GRAHAM. I think we would agree with this, in that it certainly would sharpen up the expenditure and would give us some way of presenting to the public the expenditures for agriculture which unfortunately many times have lumped into them a great many expenditures that do not have anything to do with agriculture. And this is one of those instances. I think at least that would enable us to say, "Well, after all, these are not farm loans, these are rural loans, these are development loans."

Senator HOLLAND. We have, for instance, in my State quite a number of pending applications for water supply systems for communities.

Mr. GRAHAM. It is a real problem.

Senator HOLLAND. And in looking at the list of those communities, I realized that in some of those applications only a very small part might be said to be direct farm service, because of the extensive development outside of incorporated towns which has occurred in

our State. I do not want the farm program to get into the situation in this field, as it has been in connection with Public Law 480, where it is charged with large sums that do not directly apply to the servicing of farmers. I do not want the farm program to be charged with the costs of such programs as school lunch, surplus food donations, food stamp, and other programs which you know about which are not directly in support of agriculture. It would occur to me that there might well be considered a limitation on any increase in insuring authority that is given here in such a way that it clearly appears that the great majority of this must be used in the traditional pattern of service to farmers, directly to farmers. Do you have any comment to make on that?

Mr. GRAHAM. I think that is logical, and we would support this view. And also one that would enable us in a bookkeeping way to distinguish between the expenditures, so that not only can we defend them, but the public can understand what is being done. This is one of the most unfortunate things about many of our farm programs, that we have just included so many things that have no relationship to agriculture. The merchant marine subsidy, for instance. That is a tremendous expenditure of money, as much as some of our commodity expenditures, more than some of them. And yet it never shows up in the press. And it is unfortunate. People say, "Look at how much money you are spending on farm programs." And they look at the Commodity Credit reports, and the merchant marine is buried down there somewhere. And it all looks like it is a support program.

Senator HOLLAND. There is more concern among the members of this committee because of this fact.

Mr. GRAHAM. I know that, sir.

Senator HOLLAND. Thank you very much for this comment.

Are there any other witnesses that have asked to be heard on this bill?

(No response.)

Senator HOLLAND. The Farmers Union has furnished a statement by way of a letter from Mr. James G. Patton to Senator Ellender, dated April 21 of this year. And I am going to ask that that letter be incorporated in the record.

(The statement referred to is as follows:)

WASHINGTON, D.C., April 21, 1965.

HON. ALLEN J. ELLENDER,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR ELLENDER: The Farmers Union is in support of H.R. 5075, a bill passed by the House to increase the limitation on the amount of loans which may be insured under subtitle A of the Consolidated Farmers Home Administration Act of 1961.

I request that this letter be made a part of the record of hearings your committee has scheduled for April 23, 1965.

It is my understanding that H.R. 5075 amends section 308 of the Consolidated Farmers Home Administration Act of 1961 to increase the amount of loans which may be insured from \$200 to \$450 million. The Farmers Home Administration with the support of the Congress has been most active in expanding its lending operations relating to loans for farmownership, rural community water assistance, shifting land utilization, farm housing, and refinancing of debt. Additional funds which will be available to the agency on the enactment of H.R. 5075 may be used to expand lending for all of the above purposes. I strongly urge that the committee take action to keep interest rates to farmers as low as possible. Agriculture, in this rapidly growing technological era, is requiring increasing amounts of capital. It is essential that farmers be able to secure the capital they need on

reasonable rates and terms. In this connection, I am enclosing herewith, also for insertion in the record, pertinent paragraphs of the policy statement adopted by delegates to the recent annual convention of the National Farmers Union in Chicago, Ill.

Mr. Chairman, I heartily endorse the recent action of President Jacob Potofsky of the Amalgamated Clothing Workers of America, AFL-CIO, which made available to the Farmers Home Administration \$15.5 million for insuring loans to farm families under section 308 of this act.

In order to facilitate expanding the lending operations of the Farmers Home Administration to meet the critical need that exists for additional credit, I urge the committee to report the bill as soon as practicable.

With kindest personal regards,

Sincerely,

JAMES G. PATTON,
President, National Farmers Union.

(Excerpt from 1965 policy statement, National Farmers Union)

CREDIT

FOR FARM OPERATIONS

Lack of adequate income has placed farmers at a disadvantage to secure the amount of capital they need to keep pace with the technological revolution in agriculture. While industry finances equipment purchases and other investments out of current earnings, farmers have had to rely on extensive use of both short- and long-term credit. Aggravating this situation is the fact that the cost of such credit bears no relationship whatsoever to the percent of earnings on farm-invested capital.

We assert the right of farm people to an adequate supply of credit through the Farmers Home Administration, at reasonable interest rates, to meet the needs of family farm operations, including operating, farm ownership, soil, and water development loans. We oppose fiscal, monetary, and farm credit policies that lead to an increasing interest rate on such credit.

FOR RURAL HOUSING

A high percentage of homes in the rural areas of the Nation are below minimum standards for health and safety and many are completely dilapidated. Sources of credit for rural housing are very inadequate compared to the availability of credit for housing in urban areas of the Nation.

The Farmers Home Administration, because of inadequate funds, has been unable to meet the needs of qualified applicants for rural housing loans. It is estimated that it would require \$400 million annually to make any appreciable improvement in housing on farms and in rural areas. Loan funds expected to be available in the current calendar year fall far short of this amount.

The demonstrated need—as evidence by more than 10,000 applicants who did not receive loans last year due to lack of funds—calls for immediate action to make ample loan funds available.

Senator HOLLAND. The hearing will be recessed. I will not close the record for the time being until we have had a chance to confer with the sponsors of this bill, and until we also have a chance to have any suggestions that are made by the Farmers Home Administration which I have invited them to make.

I think this bill has much merit in it. And I think there are also questions in it which the committee is going to have to very seriously consider, including the amount of the additional authorization for annual insured loans, and the distribution of that amount, if that is to be made by the bill between the three objectives which are covered.

Thank you very much.

(Whereupon, at 10:20 a.m., the subcommittee adjourned subject to the call of the Chair.)

LOANS TO RURAL AREAS FOR WATER SUPPLY AND SEWAGE DISPOSAL SYSTEMS

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HEARING BEFORE THE SUBCOMMITTEE ON CONSERVATION AND CREDIT OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES EIGHTY-NINTH CONGRESS FIRST SESSION ON S. 1766, H.R. 7968, H.R. 7998, H.R. 8116, H.R. 8234, H.R. 8959, H.R. 9264, H.R. 9737, H.R. 9893, H.R. 9987, H.R. 10052, H.R. 10078, H.R. 10118, H.R. 10123, and H.R. 10167

JULY 29, 1965

Serial P

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1870

My dear Sir,

I have the honor to acknowledge the receipt of your letter of the 10th inst. in relation to the above named matter.

I have conferred with the Board of Directors and they have decided to grant you a license to use the name of the company in the sale of the goods you are now selling.

I am, Sir, very respectfully,
Your obedient servant,
J. H. [Name]

LOANS TO RURAL AREAS FOR WATER SUPPLY AND SEWAGE DISPOSAL SYSTEMS

THURSDAY, JULY 29, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSERVATION AND CREDIT
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1302, Longworth House Office Building, Hon. W. R. Poage (chairman of the subcommittee) presiding.

Present: Representatives Poage (presiding), Gathings, McMillan, Stubblefield, Greigg, Callan, Teague, Harvey, and Dole.

Also present: Representatives Resnick and Bandstra; Christine S. Gallagher, clerk; John Heimbürger, general counsel; and Fowler West, staff assistant.

Mr. POAGE. The subcommittee will come to order.

We are meeting this morning to consider the Aiken bill, S. 1766.

(The following bills, similar to S. 1766, were introduced in the House: H.R. 7968 by Mr. Stafford, H.R. 7998 by Mr. Bandstra, H.R. 8116 by Mr. Anderson of Tennessee, H.R. 8234 by Mr. Andrews of North Dakota, H.R. 8959 by Mr. Schmidhauser, H.R. 9264 by Mr. Callan, H.R. 9737 by Mr. Skubitz, H.R. 9893 by Mr. Moeller, H.R. 9987 by Mr. Widnall, H.R. 10052 by Mr. Hathaway, H.R. 10078 by Mr. Tupper, H.R. 10118 by Mr. Whalley, H.R. 10123 by Mr. Hansen of Iowa, and H.R. 10167 by Mr. Stratton. S. 1766 follows:)

[S. 1766, 89th Cong., 1st sess.]

AN ACT To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

“(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

“(2) The Secretary is authorized to make grants aggregating not to exceed \$25,000,000 in any fiscal year to such associations to finance specific projects for works for the storage, treatment, purification, or distribution of water in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed the lesser of (i) 50 per centum of the development cost of that portion of the facility necessary to enable the project to serve the area which can

be feasibly served by the facility and to adequately serve the reasonable foreseeable growth needs of the area, or (ii) that portion of the development costs which are above the probable ability of the association to repay a loan for such purposes from income or assessments levied at a rate or charge for service within the ability of a majority of the users to accept and pay for such service and maintain a reasonable standard of living: *Provided, however,* That in determining the ability of a public body to repay, consideration shall be given to any applicable legal debt ceiling or tax or assessment limits and to any other improvements contemplated to be financed within those limits.

"(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonable foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) The term 'development cost' means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(5) No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purpose of water systems, shall include any area primarily engaged in or associated with agriculture and not having a population in excess of five thousand inhabitants."

SEC. 2. (a) Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f) (1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000".

Passed the Senate July 23, 1965.

Attest:

FELTON M. JOHNSTON, *Secretary*.

Mr. POAGE. The first part of the Aiken bill is legislation which the Senate passed relating to the expansion of the activities of the Farmers Home Administration. Beginning with part II, it is word for word the Poage bill which has already passed this committee and the House.

The Poage bill expanded the guarantee authority of the Farmers Home Administration from \$200 million to \$450 million. I think it is still extremely important that we expand the authority to guarantee loans which would enable the Farmers Home Administration to carry on its present activities and any new ones that are conferred on it. If we do not do that, the conferring of new authority will not achieve much in the way of results. You have to have money or some way of getting money to make the results effective. Either FHA must have money appropriated by the Congress and added to the budget, or it must have authority to guarantee loans supplied by private money. Under the authority to guarantee loans the Government has made a profit of about \$12 million, I believe. It would seem to me that is a cheaper and more flexible way of doing it.

I think probably right now most of the argument relates to the Aiken part of the bill.

To get things started, I think we probably had better call on our former colleague, Hon. Larry Brock, representing the Farmers Home Administration. We shall start by asking Mr. Brock to present the position of the Farmers Home Administration.

Mr. Larry Brock, former Member of Congress, presently the Assistant Administrator of the Farmers Home Administration. We are glad to have you with us and shall be glad to hear you.

**STATEMENT OF LARRY BROCK, ASSISTANT ADMINISTRATOR,
FARMERS HOME ADMINISTRATION, USDA; ACCOMPANIED BY
HOWARD CAMPBELL, OFFICE OF THE GENERAL COUNSEL**

Mr. Brock. Thank you, Mr. Chairman, and members of the committee.

I have with me, at the committee table, Mr. Howard Campbell, of the Office of General Counsel.

Mr. POAGE. The committee knows Mr. Campbell, and we are delighted to have him with us, too.

Mr. Brock. I appreciate this opportunity to discuss S. 1766, a bill which passed the Senate July 23 and which would increase the annual authorization for insured loans made by the Farmers Home Administration from \$200 million to \$450 million and amend the present authorization of the Farmers Home Administration with respect to its program for financing rural water systems. May I first discuss section 2 of the proposed legislation.

Mr. POAGE. You point out the proposal is to increase the authority from \$200 million to \$450 million, but I wonder if that is adequate now. We started this thing a year and a half ago, and that is the amount we thought was needed at that time.

Mr. Brock. That is right. This past fiscal year we exhausted our authorization of \$200 million early, and we had dockets on hand waiting for fiscal 1966 totaling a backlog of \$252 million. I have prepared a tabulation, Mr. Chairman, in regard to the needs, the applications on hand, and the projected needs. I would be happy to supply this to the committee at this time if you so desire.

Mr. POAGE. Yes; we would like to receive that.

(The tabulation follows:)

*Farmownership insured loan authorization requirements for fiscal year 1966
(July 1, 1965 to June 30, 1966)*

Farmownership loan docket on hand July 1, 1965, due to lack of adequate insured loan authorizations in fiscal year 1965		Farmownership applications on hand July 1, 1965 and applications to be received during the next 12 months			Additional farmownership loans to be processed from applications on hand July 1, 1965, and applications to be received during the next 12 months, fiscal year 1966	
Number	Amount	On hand July 1, 1965	To be received during 12-month period at 3,300 per month fiscal year 1966	Total applications	Number	Amount
1 5, 003	1 \$84, 024, 395	15, 030	40, 000	55, 030	2 22, 177	2 \$345, 975, 605

1 To be obligated in fiscal year 1966.
2 To be processed and obligated in fiscal year 1966 from 55,030 applications on hand and to be received. Loans to be processed are based on 40 percent of total applications.

Total farmownership loans, fiscal year 1966

Item	Number	Amount
Loan docket on hand from last year to be processed, fiscal year 1966 -----	5, 003	\$84, 024, 395
New loans to be processed, fiscal year 1966 -----	22, 177	345, 975, 605
Grand total -----	27, 180	430, 000, 000

STATEMENT OF POLICY FOR LOANS FOR DOMESTIC WATER SYSTEMS IN RURAL AREAS

Farmers Home Administration loans to provide rural communities with central water systems are made under the provisions of section 306 to title III of the Agricultural Act of 1961, as amended.

To be eligible for a loan, an applicant, whether it be a small rural town, water district, corporation, or similar entity, must provide, or propose to provide, water service to primarily farmers, ranchers, farm tenants, farm laborers, or rural residents.

The term "rural resident" includes persons whose permanent place of abode is in open country or in a place with 2,500 persons or less which is not part of an urban area. It does not include :

- 1. Persons living in closely settled areas surrounding, adjacent to, or growing out of a town of more than 2,500 people where the principal land use or occupancy is residential or commercial.
- 2. Persons living in established communities or subdivision developments likely to become associated with an urban area.
- 3. Persons living in a subdivision of substantial size which is being developed in a rural area, unless a large proportion of the residents will obtain most of their income from employment in the surrounding rural area.
- 4. Persons living in a place on a seasonal basis.

The Farmers Home Administration finances water systems primarily for farmers and rural residents who presently reside in the area to be served and who have agreed to use the water. No system plans are approved unless full debt repayment, operation, and maintenance costs, and reserve maintenance can be met by initial existing users with a reasonable water rate schedule. If it appears that a sound and proper basis exists for a loan to serve existing farmers and rural residents and landowners or developers request that the proposed water system be constructed so as to provide capacities in addition to those necessary to provide adequate service to the existing users plus reasonable allowances for growth and increased water use, those landowners or developers are required to pay for such additional capacities in cash before the loan is approved.

Farmownership loans, fiscal year 1966 (estimated)

STATISTICAL WORKSHEET BY STATE OFFICES

	Number of farmowner- ship loans	Amount of funds
01 Alabama.....	900	\$10,500,000
02 Arizona.....	50	1,000,000
03 Arkansas.....	1,780	15,800,000
04 California.....	250	5,120,000
33 Nevada.....	30	600,000
61 Hawaii.....	25	500,000
05 Colorado.....	490	10,620,000
09 Florida.....	520	9,660,000
10 Georgia.....	1,140	14,100,000
12 Idaho.....	680	11,620,000
13 Illinois.....	830	15,050,000
15 Indiana.....	630	13,000,000
16 Iowa.....	870	21,310,000
18 Kansas.....	810	11,000,000
20 Kentucky.....	960	11,430,000
22 Louisiana.....	830	10,620,000
23 Maine.....	520	6,940,000
06 Connecticut.....	10	120,000
25 Massachusetts.....	10	130,000
34 New Hampshire.....	80	1,200,000
45 Rhode Island.....	5	30,000
53 Vermont.....	190	3,050,000
24 Maryland.....	70	1,050,000
07 Delaware.....	25	500,000
26 Michigan.....	400	6,280,000
27 Minnesota.....	1,170	18,200,000
28 Mississippi.....	1,300	13,490,000
29 Missouri.....	1,540	22,070,000
31 Montana.....	360	6,410,000
32 Nebraska.....	710	16,590,000
35 New Jersey.....	60	910,000
36 New Mexico.....	170	2,470,000
37 New York.....	650	9,500,000
38 North Carolina.....	1,170	17,480,000
40 North Dakota.....	940	17,490,000
41 Ohio.....	200	4,380,000
42 Oklahoma.....	630	10,720,000
43 Oregon.....	250	4,060,000
60 Alaska.....	25	700,000
44 Pennsylvania.....	230	4,510,000
46 South Carolina.....	380	5,440,000
47 South Dakota.....	800	16,200,000
48 Tennessee.....	1,180	17,960,000
49 Texas.....	890	20,090,000
52 Utah.....	160	2,950,000
54 Virginia.....	80	1,540,000
56 Washington.....	420	8,200,000
57 West Virginia.....	130	2,330,000
58 Wisconsin.....	990	17,460,000
59 Wyoming.....	290	4,000,000
63 Puerto Rico.....	350	3,620,000
64 Virgin Islands.....	0	0
Total requirements.....	27,180	430,000,000

Estimated number of loans and amount of funds required during 1966 fiscal year to process association loans authorized under sec. 306 of the Consolidated Farmers Home Administration Act

State or territory	Loans approved or authorized for approval as of June 30, 1965	Loan funds needed for applications on hand as of June 30, 1965	Loan funds needed for applications expected during fiscal year 1966	Total funds needed for fiscal year 1966
U.S. total.....	\$58,055,850	\$168,161,000	\$134,855,000	\$361,071,850
Alabama.....	1,932,000	11,966,000	6,000,000	19,898,000
Alaska.....	0	0	300,000	300,000
Arizona.....	0	750,000	875,000	1,625,000
Arkansas.....	474,850	2,220,000	2,100,000	4,784,850
California.....	0	1,400,000	1,400,000	2,800,000
Colorado.....	58,850	6,400,000	6,800,000	13,258,850
Connecticut.....	0	250,000	1,000,000	1,250,000
Delaware.....	0	150,000	500,000	650,000
Florida.....	1,288,560	3,600,000	2,700,000	7,588,560
Georgia.....	280,000	1,040,000	1,120,000	2,440,000
Hawaii.....	0	0	130,000	130,000
Idaho.....	271,150	1,350,000	630,000	2,251,150
Illinois.....	953,400	3,300,000	2,500,000	6,753,400
Indiana.....	4,665,925	9,600,000	4,500,000	18,765,925
Iowa.....	750,300	1,100,000	1,300,000	3,150,300
Kansas.....	3,938,755	2,640,000	2,280,000	8,858,755
Kentucky.....	3,576,000	12,210,000	6,500,000	22,286,000
Louisiana.....	748,500	990,000	1,430,000	3,168,500
Maine.....	417,000	750,000	1,450,000	2,617,000
Maryland.....	0	450,000	450,000	900,000
Massachusetts.....	0	0	625,000	625,000
Michigan.....	361,000	900,000	1,720,000	2,981,000
Minnesota.....	71,000	700,000	800,000	1,571,000
Mississippi.....	4,629,000	12,120,000	10,320,000	27,069,000
Missouri.....	11,279,000	10,800,000	7,000,000	29,079,000
Montana.....	41,000	2,400,000	1,400,000	3,841,000
Nebraska.....	627,000	875,000	1,125,000	2,627,000
Nevada.....	0	750,000	750,000	1,500,000
New Hampshire.....	0	400,000	600,000	1,000,000
New Jersey.....	0	600,000	1,050,000	1,650,000
New Mexico.....	683,260	1,400,000	1,680,000	3,763,260
New York.....	0	5,000,000	2,600,000	7,600,000
North Carolina.....	1,541,590	10,440,000	7,020,000	19,001,590
North Dakota.....	73,920	500,000	450,000	1,023,920
Ohio.....	261,000	1,430,000	1,170,000	2,861,000
Oklahoma.....	3,240,450	9,860,000	6,460,000	19,560,450
Oregon.....	364,780	1,000,000	1,100,000	2,464,780
Pennsylvania.....	154,650	3,000,000	2,250,000	5,404,650
Rhode Island.....	0	0	300,000	300,000
South Carolina.....	45,000	3,100,000	2,100,000	5,245,000
South Dakota.....	551,150	3,000,000	3,000,000	6,551,150
Tennessee.....	1,878,000	8,150,000	5,520,000	15,548,000
Texas.....	8,543,110	15,820,000	16,380,000	40,743,110
Utah.....	613,000	750,000	1,250,000	2,613,000
Vermont.....	0	20,000,000	2,400,000	4,400,000
Virginia.....	0	1,400,000	1,400,000	2,800,000
Washington.....	1,750,100	2,200,000	2,400,000	6,350,100
West Virginia.....	1,073,600	4,050,000	1,920,000	7,043,600
Wisconsin.....	928,950	2,400,000	2,000,000	5,328,950
Wyoming.....	0	2,700,000	3,300,000	6,000,000
Puerto Rico.....	0	250,000	750,000	1,000,000
Virgin Islands.....	0	0	50,000	50,000

Mr. POAGE. I did not mean to interrupt your statement, but I wanted to see if that was not the situation.

Mr. BROCK. When the committee receives these tabulation sheets, they will note on the first page of the tabulations that we had a backlog of \$84-odd million in farm ownership loan dockets waiting to be financed from our authorization this year. We have on hand 15,030 dockets as of July 1, 1965. We anticipate receiving during this fiscal year an additional 40,000 applications. Mr. Chairman, all applications do not develop into loans due to the fact that some individuals or some associations, speaking in the area of water associations, are not eligible for loans. The total of the 15,030 plus the 40,000 makes a

total application of 55,030 applications. Then we use an attrition factor bringing this total down to 22,177 applications that we will expect to attempt to process during fiscal 1966, for a total of \$345,975,605.

Then you will note we have itemized these in the tabulation sheets by States, both in the farm ownership field and in the association water facility area. You will note we need a total of \$361,071,850 if we are to develop all of the water system and other association dockets that we anticipate will be eligible for loans from the Farmers Home Administration.

So, these tabulation sheets demonstrate there is a need for about \$790 million, rather than the \$450 million contained in the bill.

Mr. POAGE. You may proceed.

Mr. BROCK. Section 2 of the proposed legislation is identical with H.R. 5075, a bill which was favorably considered by this committee and passed by the House on March 15. There is no need for me to discuss this section before this committee.

Section 1 of S. 1766 has not been previously considered by the House.

Section 1 of S. 1766 would amend in three respects the present authority of the Farmers Home Administration in the field of financing rural community water systems. It would:

1. Permit grants up to 50 percent of the construction cost of a water system where necessary.
2. Define a rural area for water system purposes as one primarily engaged in or associated with agriculture of not more than 5,000 population, whereas at present we are operating under an administrative limitation of 2,500, primarily serving farmers and other rural residents, and
3. Would permit loans, either direct or insured, or a combination of loans and grants to a maximum of \$4 million instead of the present limitation of \$1 million for insured loans and \$500,000 for direct loans.

The provision permitting grants meets a definite need posed by many rural communities. In the administration of its present program the Farmers Home Administration has had applications from numerous communities which could not afford to pay the entire cost of a needed water supply. This might be due to the low incomes of many of the prospective users, to the high cost of locating a good water supply, or to providing a distribution system in an area where the population is not concentrated.

It is a simple fact of life that either the construction of such systems must be subsidized or many rural people never will have running water.

Mr. POAGE. I wonder if you would give us your opinion on one matter that disturbs me in connection with this philosophy. That is, how do we fairly treat a community that is now paying the full 100 percent? Is there not some inequity to those communities that have made the sacrifice and established their own water systems and owe you for all of it, to go next door and set up a water system for their neighbors and not ask them to pay for it?

Mr. BROCK. In our feasibility study of the water system, we will attempt to work out such plans so the community can pay the entire cost of the water system and will borrow the funds from us and will repay the Government. However, in certain communities

it might be impossible for a community to come up with a feasibility study that would bring a proper and efficient municipal water facility to that community unless some funds were provided in a grant program.

I think we need to look to the efficiency aspect of it, and we need to look to the growth factor in the community. We need to study the ability of the users to pay for this service. If there is a shortage, then they might need to come in for small grant funds.

Mr. POAGE. Do you not expect a lot of people who would not go into the program as it exists today because they would have to pay the bill, to come up with applications next year and show you how they cannot pay?

Mr. BROCK. We have had quite a little experience, Mr. Chairman, and in our past experience we will be able to demonstrate that this community will be able to pay and will not need a grant in order properly to install a system.

Mr. POAGE. I do not have much confidence in that. I am not opposed to giving some help because we help everybody under the sun. I do not know why we should not pay as much of the cost of rural systems as we pay in the cost of municipal water supply systems. We are doing it in a great many of the programs, but there is nothing about rural supply. I think I know and I think Senator Aiken intended and I think the 92 Members who joined him intended that the Government pay a substantial share of the cost of constructing these systems in the future. I think you intend to do it and I think that is what this committee intends to do. I think it is pulling the wool over everybody's eyes to say that we are going to see that these people pay for a large share of this. Everybody is getting as much out of the Government as he can get. We all know that. I do not think we need to kid ourselves a moment about it.

Mr. TEAGUE. Will you yield a moment?

Is that not analogous to the rent subsidy bill we acted on the other day? You have a man making, say, \$6,000 a year for a good many years, and he has been industrious and pays for his home. His neighbor has been making exactly the same amount of money, but he has not been as industrious and has not paid for his home, and now the Government pays part of his rent. I am not saying I oppose it, either. I am agreeing with your point.

Mr. POAGE. It is exactly the same, except that when two men have been paying rent, it is all gone anyhow, and they do not owe for their rent in the future; but these communities which have established these water supply systems this year and last year and the year before still owe you for 100 percent of their water supply systems.

Mr. BROCK. That is true.

Mr. POAGE. But the people who establish water supply systems the next year and the following year will owe you only 50 percent of the cost of their systems. That is what I am talking about. Is there an injustice that Mr. Gathings, a man who is frugal and agrees to pay for his water system, who has not paid for it but has signed notes to pay for it, is going to have to pay for it; and here is Mr. Teague, if I may use him as an example, who comes in next year, who has not applied yet but he comes in next year. I think he would be dumber than I think he is if he did not get all of the Government payment

that he can. You are not going to charge him 100 percent for his water supply system.

Mr. BROCK. No, Mr. Chairman, if he attempted to seek grant funds, but I reiterate, if that community is able to pay the full amount of the loan, there will not be any grant funds available..

Mr. POAGE. I do not buy that at all. We understand the facts of life. We know what this bill is for. I am not suggesting this in opposition to the bill. I know we are giving people a lot of things, and I am proposing to give these rural people just what we are giving city people. I am not offering any apology for doing it, but I am asking you how you justify this. If Mr. Teague does not pay part of the cost of his, how can you make Mr. Gathings pay 100 percent of his? That is the thing that bothers me. Everybody who can is getting a Government grant. The minute you open that door, the foot is in it and you cannot close the door.

You are a good Administrator and you have a good office and I am not criticizing, but you cannot deny a full grant to some; I do not care how much you want to.

(Off the record.)

Mr. BROCK. Mr. Chairman, I believe this section is parallel to the section in the Housing and Urban Development Act concerning community facilities.

Mr. POAGE. Has anybody turned down any grants under that program because the recipients were rich and opulent?

Mr. BROCK. The Housing and Urban Development Act specifies that they can make a grant. This feature in this bill specifies that if a rural project is in need of a grant, our agency then can make a grant.

Mr. POAGE. You are going to make it in 102 percent of the cases, maybe 103 percent. There will not be anybody denied a grant. I do not think we need to fool ourselves. We are talking about giving these people something, giving them something, not loaning them something but giving them something. That is what we are talking about.

Mr. BROCK. Yes, if it is necessary to make a grant we will make a grant.

Mr. POAGE. And it will be "necessary" in every case. If a fourth grade boy cannot come in and prove that he is so poor that you ought not to require him to pay the entire amount back, he ought to be in the asylum for the incurables, rather than the fourth grade.

Mr. BROCK. Mr. Chairman, I will not debate the point with you. I think our record will show that we will make many loans without grants in fiscal 1966 under S. 1766.

Mr. POAGE. I am not asking you to do that. Frankly, I do not want to see these towns get so much more favorable treatment than the rural areas. Do you know of any town that is being denied a grant because they have taxable values?

Mr. BROCK. No, I do not.

Mr. POAGE. I do not, either. I do not know why we should apply a much more harsh rule to rural areas than we are applying to the cities. All I am asking is, What are you going to do about the fellow who already has committed himself on a loan? Are we to forgive part of that loan?

Mr. BROCK. No; we would not do that. There is nothing in the act which would permit that.

Increasing to 5,000 population the definition of a rural area also seems to us to be sound and proper. Many small towns with populations below this figure, but above the present 2,500 limitation, need financing to install water systems or to improve or modernize their existing systems.

Mr. DOLE. Is there some law that picks it up over 5,000 now? Is there any other program in which communities over 5,000 receive similar assistance, say between 5,000 and 10,000?

Mr. BROCK. The Community Facilities Administration operates and has operated in the larger urban areas.

Mr. DOLE. Is there a gap where some communities would not be eligible?

Mr. BROCK. I do not believe there will be any gap at all.

Mr. CAMPBELL. Not as a matter of statute. There may be an actual gap where Community Facilities will not find feasibility in a town of 6,000 or 7,000 population, but the statutory authority will not contain a gap.

Mr. DOLE. Does their jurisdiction start at 5,000?

Mr. CAMPBELL. Their jurisdiction is unlimited. They could go into rural areas, but up to this time they have not gone into any unincorporated areas at all.

Mr. POAGE. Mr. Campbell, is the situation not almost exactly identical to the situation which exists between the Soil Conservation Service and the Army Engineers? The Army Engineers have no lower limit on what they can do. They can go out and build one culvert if they want to. Then they can straighten the Mississippi River, at the other extreme. The Soil Conservation Service is limited as to its upper limits. Is that not exactly the same situation?

Mr. CAMPBELL. There is a parallel, Mr. Chairman.

Mr. BROCK. There are valid reasons, too, for increasing the limitation on the size of the loan authorized for any single applicant association to \$4 million. It has been our experience since 1961 that because of the \$1-million limitation many applications could not be approved and many of the loans we did make could have financed even better systems had the \$1-million limitation not been in effect. Frequently, it is more efficient from an engineering standpoint and more practical from a management standpoint to build a water system that will service a maximum number of users. Many rural communities lie close enough together to be served by one system which would be more economical and more efficient. The \$1-million limitation prevents this economy and this efficiency.

We are pleased with the action taken in both the House and Senate on the legislation contained in section 2 of S. 1766. We recognize that the legislation contained in section 1 of S. 1766 will form a companion aid in rural areas to the assistance available under the Housing and Urban Development Act of 1965, and in combination will help assure that all sectors of the country are adequately supported in community facility development.

Mr. POAGE. Is there any possibility of duplication in connection with the Community Facilities Act or other acts?

Mr. BROCK. No; I do not see any problem in duplication of services. The Community Facilities Administration is also in business to aid communities which cannot obtain credit elsewhere. However, the Com-

munity Facilities Administration differs from our agency in that they have not made loans to other than public bodies. There are thousands of rural towns and rural water companies who need counseling and guidance in the development and operation of good community water systems. We are staffed to provide this supervision and guidance. Occasionally we receive a marginal application, one that perhaps could be made by the Community Facilities Administration. In such instances our State director contacts the Community Facilities Administration representative in his State and together they make the determination whether the Community Facilities Administration or the Farmers Home Administration should aid the applicant.

Mr. DOLE. We discussed earlier what would happen to these communities which have already obligated themselves. I think the key to that may be the fact that they could modernize their systems, could they not, under this program? In other words, say they still owe money on their present loan, they could make another application for modernization and in that application you probably could make a grant.

Mr. BROCK. They could make a subsequent application for additional loan funds to enlarge the system or to modernize the system, and then need grant funds in order to accomplish that purpose.

Mr. DOLE. Do you anticipate that much of that would take place?

Mr. BROCK. This could take place. At the present time we are receiving applications from communities all over the United States for additional loan funds to extend their services, and in that instance grant funds may be needed.

Mr. DOLE. So, it would be possible to balance the equities between the hypothetical Mr. Gathings and Mr. Teague?

Mr. BROCK. That is certainly true, Congressman Dole.

I would like to add one more thought in answer to Congressman Dole's question. We loaned funds to a community in a Southern State for a water facility installation, and now they find the water contains a large amount of iron oxide. The community is not able to request additional loan funds from us. They need a filtration plant in order to precipitate or to take out this iron oxide in the water. They would probably come to us for grant funds for this purpose for the filtration plant.

Mr. GATHINGS. Mr. Brock, I appreciate your good statement. I wonder what criteria would be used in making the determination of a town or community. How far would you go out? Will it be strictly the town and you will not go beyond the corporate limits in setting up your water system? What about a man who lives just outside of the incorporated limits of a town or community? What about that man who desires to tap in and get some water with which to water his stock and to keep his operation going and in order to have water for his family, without having to resort to a cistern?

Mr. BROCK. Congressman Gathings, we would not confine the installation to the incorporated limits of the town.

Mr. GATHINGS. How do you define it now, Mr. Brock?

Mr. BROCK. We extend our lines to the farmers near this community if the feasibility study shows that these users can pay for this extension.

Mr. STUBBLEFIELD. I think what you mean is that the water district is not limited to the confines of the incorporated town; that the district can extend far beyond that.

Mr. BROCK. That is right. If there are rural residents or farmers, we would extend the line if the feasibility study would point out that the user could pay for the cost.

Mr. GATHINGS. What is that cost now, say, for a 2-mile extension? What would the feasibility study ordinarily show to extend your water line 2 miles beyond the very last line that you have within the community area itself?

Mr. BROCK. We could furnish some examples for the record, Congressman Gathings. I come from a rural community in Nebraska. We might have three or four farmers to the mile. We might go out a mile or two. The cost would be greater because we know that beyond that next mile are three or four more. So, we would have to put a larger transmission line, if that is the proper term in speaking of water facilities, so we could take care of the needs of the three or four farmers beyond that point. We would be happy to furnish you for the record, examples of our costs per mile.

(The information referred to above follows:)

Last year the amount loaned by the Farmers Home Administration for water distribution pipelines averaged \$8,000 per mile. A recent loan approved in Mississippi included the following estimated costs per mile for branch waterlines: 4-inch, \$10,560; 3-inch, \$4,488; and 2-inch, \$3,168. A similar loan in Texas had the following costs: 4-inch, \$5,280; 3-inch, \$3,960; and 2-inch, \$2,376. A third example in Florida included: 4-inch, \$6,864; 3-inch, \$5,280; and 2-inch, \$3,960.

Mr. POAGE. While you are on that point, I think I might give this illustration. I know some of our communities have determined the character of their facilities by the number of users. If there are several users out there, you put down a 4-inch line extension because you have enough people out there to justify a 4-inch line and you can divide the cost and it does not cost too much per user. If you have one house and are going to run the line a mile or so, about the only practical way they seem to know, in my country, is to use the drip system. They will put a mile of 1-inch pipe or even, I believe, $\frac{3}{4}$ -inch pipe in some instances to one house. You get very little water through a 1-inch line a mile long. In fact, most of the time it just drips. You have to build a reservoir, just as you used to have to do if you had a private well. Your aboveground reservoir gives you pressure in the house. You drip water into it 24 hours a day and it will give you all the water that the house and the stock would use. You get your pressure from your own individual reservoir, not pressure out of the system pipeline.

Mr. GATHINGS. Mr. Brock, are you familiar with the testimony that was presented in the Senate Committee on Agriculture and Forestry by a group of people who represented well-digging concerns?

Mr. BROCK. Yes. I accompanied the Administrator to those hearings and I heard the testimony.

Mr. GATHINGS. What is your opinion of permitting individual systems to be built in these areas outside of the corporate limits, outside of an area where you would not care to extend your line?

Mr. BROCK. For many years, Congressman Gathings, we have made loans for individual water systems and we process thousands of loans each year for individual water systems. If they need to put down a well and cannot get it elsewhere, we furnish the funds through what we call our soil and water individual loan program. They can get loans from us on an individual basis.

Mr. CALLAN. Would there be any possibility of including a grant on that, also?

Mr. BROCK. Not as the legislation is proposed under S. 1766.

Mr. CALLAN. Do you think that might be advisable?

Mr. BROCK. That is a determination which the Congress makes.

Mr. TEAGUE. I have one question, Mr. Brock, which is in no way to imply a criticism. It is just a matter of curiosity.

In the tabulation you gave us concerning the amount of loans made and applied for in your overall operation, not confined to water systems, as I understand it, I note in California you need \$2,800,000, and in Governor Stafford's State of Vermont, \$4,400,000, and in Texas, \$40,743,000. I am curious why the program is so comparatively small in California in relation to other States.

Mr. BROCK. Indiana shows \$18 million. In some areas they have a tremendous problem finding water suitable even for livestock.

Mr. TEAGUE. Does this tabulation which I have in my hand, which you furnished us, relate only to water systems?

Mr. BROCK. This tabulation is related to water systems and other association loans. The other tabulation is related to the farm ownership program.

Mr. TEAGUE. Perhaps the answer is that we have lots of water problems in California, of course, but we have Bureau of Reclamation projects and local water developments.

Mr. BROCK. We accept all the applications we get from California, and if we can possibly work out a loan for a community in California, we are happy to do so.

Mr. STUBBLEFIELD. Mr. Brock, do you have any procedures and minimum design standards for the construction of water systems?

Mr. BROCK. Yes; we have standards. We probably will revise those standards. We told the Senate Committee on Agriculture that we would furnish a revised standard. When we work up a water facility loan, qualified engineers in the respective States work up the design and we study those designs and try to install the water system under the designs as proposed by the engineers who are qualified engineers in that State.

Mr. STUBBLEFIELD. You leave the system up to the State directors?

Mr. BROCK. No. The engineering study comes in to our national office here, and we have engineers who study the design as proposed by the engineers hired by the community. We might make suggestions as to a change in design for greater efficiency or economy in cost.

Mr. STUBBLEFIELD. Do you anticipate writing in the bill minimum design standards?

Mr. BROCK. I think such a bill would be too voluminous, but we did promise the Senate committee that we would revise our standards and furnish to the committee and to this committee, also, the standards that we have.

Mr. STUBBLEFIELD. Which you would dictate to the State director?

Mr. BROCK. Which the engineers would use as a guideline.

Mr. STUBBLEFIELD. In some States there do not seem to be any minimum standards. Some of them approve plastic pipe. Some of them disapprove it. Would you establish uniform standards for all the States, or would it still be subject to the State directors?

Mr. BROCK. We would be subject to the State health regulations in many respects as to type of materials to use.

Mr. CALLAN. I notice on page 81 of the hearing a list of the loans made from March 15 to April 29, the first 3 months of 1965. I notice no loans made for Nebraska or Iowa. Can you tell us why? Don't we make applications for loans there?

Mr. BROCK. We perhaps didn't have any applications which were eligible or we would have made the loans. All of our program is predicated on the fact that the community cannot get credit elsewhere. Many times probably in our State of Nebraska they can get credit elsewhere, so they would not be eligible for a loan.

Mr. CALLAN. I also notice in Florida the differential is about two and a half times with regard to the cost per family. For the record why do you have such a great differential between the two areas in the same State?

Mr. BROCK. I imagine the compactness of the community would be a great factor, and also whether we had to go 500 feet for water or 2,000 feet for water in installing this well, and what type of reservoir we might have to put up.

In some of the States, Kentucky and West Virginia, we could use watershed water which is available and which we would purify and we would not need to install a costly steel reservoir.

I imagine those are the factors which enter into the cost.

Mr. GREIGG. I want to go to the question of the type of construction. I think perhaps most States have their own standards. I know in the State of Iowa the health department sets up a specific code as to what type of construction you should have for water systems, and most of the communities throughout the State, large and small, have ordinances consistent with the established code as stated by the health department, State of Iowa.

Mr. BROCK. I think that is very true. We need to consult with the Public Health officials and the proper State authority in setting standards as to the type of material and the type of construction, Congressman.

Mr. POAGE. Mr. Brock, before we pass to the next witnesses here I want to ask you about page 5, which defines rural areas which includes an area primarily engaged in agriculture, not having in excess of 5,000 inhabitants.

Frankly it does not seem to me to be a very clear-cut definition. Do you think you can function under that definition?

Mr. BROCK. It would be extremely difficult, Mr. Chairman, to operate under this amendment because the amendment states it must be primarily engaged in or associated with agriculture, and we can immediately think of the States of Kentucky or West Virginia, or Indiana, where we might have mining which would be the principal occupation. Yet they are strictly rural communities, but they are not primarily engaged in agriculture.

I agree with you, Mr. Chairman, that it would be extremely difficult to function under this program with this amendment.

Mr. POAGE. I think we have to face up to the fact that we have a responsibility for rural areas and rural areas are ceasing in many cases to be strictly agricultural areas.

We must recognize that when we write a definition we are perhaps overlooking a lot of rural America where we have the same responsibility as we would have in the wheatfields.

Mr. STUBBLEFIELD. Do you know of any town of 5,000 or 2,500 which does not already have a water system?

Mr. BROCK. Frankly, I do not know.

Mr. STUBBLEFIELD. I don't, either.

Mr. BROCK. In the definition of raising this from 2,500 to 5,000, when we studied the census figures we found out that there were only 1,806 communities in the United States between 2,500 and 5,000, so we are adding only 1,806 communities to the definition. This was not a definition really but a guide we used which is not in the statute, but we are adding only 1,806 communities by using the 5,000 definition.

Mr. STUBBLEFIELD. How many applications do you have pending now? Do you have any pending now?

Mr. BROCK. From cities of 5,000?

Mr. STUBBLEFIELD. Yes.

Mr. BROCK. We don't accept applications.

Mr. STUBBLEFIELD. I mean from those of 2,500. Can you give me a breakdown?

Mr. BROCK. We have many applications.

Mr. STUBBLEFIELD. I would think a city of 500 would have a water supply.

Mr. BROCK. I agree with you, Congressman Stubblefield, that a city of 2,500 would probably have a water system. They might have an inadequate water system, antiquated water system. They might have a system where they have water now which is not suitable for human consumption, and they would need to seek loan funds.

Mr. POAGE. Is it not true that under the present law a majority of the subscribers, or a majority of the customers of the association, must make their livelihood from agriculture?

Mr. BROCK. That is not so.

Mr. CAMPBELL. The present law confines loans to those systems which primarily furnish this service to farmers, farm tenants, and other rural residents.

Mr. POAGE. And you have to have half of your subscribers, or more than half of them, who are rural residents?

Mr. CAMPBELL. That is right.

Mr. POAGE. So if they live in any kind of town at the present time you have to get half of them outside, don't you?

Mr. CAMPBELL. Not necessarily. Some incorporated towns are strictly rural in character and we can include the population of that town as well as the farmers who live around the boundaries of that incorporated town in determining that the total population is to be served.

We would not under the present statute and definition serve any small incorporated community which was part of a metropolitan area or suburb thereto.

Mr. GREIGG. Is it not in your judgment that you can determine whether a water system is inadequate or not and receive a grant based on an inadequate water system for a community?

Mr. BROCK. If it was determined that a grant was necessary; yes.

Mr. GREIGG. I think it is desirable when we talk about removing iron from the water in some of these filtering plants. However, I have many communities, Mr. Stubblefield, in my own district in the population range of from 2,500 to 5,000 where they have totally in-

adequate water supply systems. I wanted to establish that if the Department determines that these are inadequate, that grants actually can be made for these communities; you say they can?

Mr. BROCK. Yes, sir.

Mr. HELMBURGER. Mr. Brock, would these rural water systems be built on the area saturation or complete area service basis as are electric co-ops? In other words, would they be required to offer service to every potential user within the area of the system?

Mr. BROCK. In serving the area we serve as many rural residents as is possible under a feasibility study. We would not extend this line out 3 or 4 miles because here is another man out here who does not have water. We take care of those needs with our individual loans.

Mr. HELMBURGER. In other words, it would not be a requirement that water should be offered to every resident or every establishment within the outer boundaries of the area to be served?

Mr. CAMPBELL. If I may participate in this discussion.

Mr. HELMBURGER. I wish you would.

Mr. CAMPBELL. Present regulations do require that exploration be given to everybody who needs water that can be served on an economical engineering design, whether they be within the boundaries of the community or outside the boundaries of the community.

If the system is going to be the only community system it will offer water to everyone who wants water. There may be some individual farms in the area served which have their own adequate water systems, and there would be no requirement that they become users of the central system. Some of these loans are made to public water districts financed by special assessments against the land, and in that type of case the land to which this water system would make water available will bear its proportionate share even though it does not actually tap onto the system at this time.

We usually start out, after the feasibility study, with the determination of what income would be necessary to operate, maintain, and pay the debt service. We translate that into the number of users who will need to start using water immediately to produce the income, and we may not make a loan, we may not close a loan, until the group or the public body has gotten assurances from, let us say, 300 users that they will connect immediately. In many States these systems come under the public utility concept, and, as you know, when a system such as this is declared a public utility it must serve those people who apply for service.

Mr. HELMBURGER. In other words, except for the requirements of a State public utility act there will not be any hard and fast rule that water must be offered to everyone within the outer boundaries of the area you are serving?

Mr. CAMPBELL. I think counsel is correct. This is particularly true in our nonprofit association loans. We have no device to compel a user to join, and, conversely, a user has no legal right to insist on connecting if it is not feasible to serve him.

Mr. HELMBURGER. There would be a feasibility test applied, then, so that if it costs two or three times as much to run a water line to a man's farm as it did to drill a well, you would recommend, at least, that he drill a well?

Mr. CAMPBELL. That is correct.

Mr. HEIMBURGER. The definition that the Senate has written into this bill, with regard to rural areas, does not necessarily involve any town or any community as we know it, unless you use the word "town" it does not involve any town at all.

Under this definition the water system could be right out in the middle of the open country.

Mr. CAMPBELL. That was true in the past and it will continue to be true even though the act does not redefine a rural area.

We have used the "rural residents" term in the existing provision of section 306 to justify an administrative determination that these services would be made available in open country and in communities of not to exceed 2,500 people, choosing that limit administratively from the census break as to what is rural and what is urban.

Mr. HEIMBURGER. I do not disagree with that. I wanted to point out a town is not involved.

Mr. CAMPBELL. That is correct.

Mr. HEIMBURGER. Can this water be used for irrigation purposes?

Mr. CAMPBELL. The base law would permit us to finance loans for the development of water for irrigation or domestic use, livestock, and some commercial use. Some of the provisions of the bill under consideration are primarily designed for domestic water rather than irrigation. It talks about a water system. I think they are talking about a domestic pipeline system rather than development of irrigation water.

Mr. POAGE. It is perfectly clear that anyone who wants to pay the bill can use it for irrigation but the cost can be so high you might as well talk about using milk from the dairy for irrigation. Of course you can if you want to pay the bill.

You can use this water for irrigation if you want to pay for it, but the cost will be so high that nobody except somebody who is just watering flowers for his house can afford to pay for it.

Mr. CAMPBELL. I think that is true, Mr. Chairman, with this exception—some of our loans are made to legal entities which have authority to distribute it for only one purpose.

If we make a loan for irrigation, we would deal with an entity which has authority to develop the water for irrigation. We would have to make a different type of loan.

Mr. STUBBLEFIELD. What will be the cutoff date on these applications as to whether they are eligible for grants? If they have started negotiations with the FHIA and just about have it wrapped up, they will come in for a grant. If the water district started up on their own steam that was evidence they didn't need a grant.

Is there anything in this bill to cover that?

Mr. CAMPBELL. There is no provision in this bill which would settle that question, Mr. Congressman. Certainly my legal approach to the problem would be that if the loan had not yet been closed and construction not yet started, the contract would be open for renegotiation under the new authority. As to those which had been closed, as has been pointed out heretofore, if there is a further need for development, modernization, and so on, then a new contract dealing with the new problem would come under the new authority.

Mr. STUBBLEFIELD. In order to avoid any problem would it not be well to stipulate where you begin and where you end with regard to the grant money? They may have it 5 or 10 percent completed and want grant money. Everybody will want grant money. It would be helpful to have some cutoff date or some definite policy.

Mr. DOLE. If they would default on the loan then could you use this act after it passed to renegotiate?

Mr. CAMPBELL. I see nothing in the bill which clearly indicates that procedure was intended. However, under our base authority in the Consolidated Farmers Home Administration Act, the Secretary has ample authority to renegotiate the terms of any contract involving a loan, depending on the circumstances which exist at the time.

We reamortize and reschedule and, if repayment ability is not there, we reduce and compromise under limited powers Congress has given us.

Mr. GATHINGS. The importance of the question from the gentlemen of Kentucky is shown here—have you given any thought as to just where you will draw the line with regard to eligibility for a grant? Who is eligible for a grant? Who is on the borderline? Who is not eligible for a grant?

Mr. CAMPBELL. Mr. Gathings, I believe the program will develop in about this way: We will continue to entertain proposals from rural communities within this definition, whether they be incorporated or whether they be concentrations of residents in crossroads communities. We will work with them to create a legal entity which might undertake the development of a water system.

We will expect that they employ a local attorney and an engineer to design a proposed system and a supply of water which would be reliable which would service this community.

When we get that far into a proposal then we make a cost estimate and then look at the income of the proposed users and translate the cost per user under this estimated cost to the income and availability of revenue to pay for a system which would cost x dollars.

If that entire cost would result in a water charge to the proposed users of this community in excess of what we normally find a family can afford to pay for water then we would propose under this language to make a grant to the extent of that part of the total cost which is in excess of what a normal water user charge for the people of the income level that reside in that community.

Mr. GATHINGS. The latter part of your statement is what I was interested in. There are a lot of people in this country who reside on Indian reservations. You have a lot of people who reside in these towns and are getting food from a distribution center, from surpluses. Many people in these areas have meager means.

I have in mind towns in my own district where our people do not have high income. It is higher than it has been in previous years and it is moving up all the time, but I wondered what has been done in the Department with reference to just where that line would be put. What per capita income would be considered?

Of course, they have other bills to pay as well.

Mr. CAMPBELL. I am not prepared to give you a figure on a monthly water charge if that is what you have in mind, Congressman Gathings, which we would consider would be a reasonable charge across

the country. I think it must be related to the general level of income of the community. As you point out, there are some communities richer than others and can afford to pay a greater portion of their family income for water than people who reside in a different community. It is a matter which has to be judged in each case.

Mr. POAGE. It seems to me the questions have already developed that this is an unsound approach and we had better get back on something we know is sound. The Soil Conservation Service now pays for the development of stock ponds. They pay up to 50 percent of the cost of the dirt removal, with a limit on the cost of dirt removal. In some places the Government pays 10 cents a yard, in some places 8 cents, and in some places 12 cents.

However, they pay 50 percent of the cost and they pay it to the Swenson Cattle Co. as well as the smallest man in the community. They pay it to anybody who meets the requirements.

I think when Mr. Brock undertakes to say that this community has ability to pay and this community has not, he will have plenty of trouble. Of course, there might be the possibility of politics entering it at times but that is the only thing I can see that can be achieved by those kinds of decisions. Everybody needs help. New York City and Podunk all have too much in the way of taxes.

Again I come back to the proposition I mentioned earlier—I am not opposed to providing help to these communities, but I think you are inviting unlimited trouble when you attempt to decide that you will give aid to one community and deny it to another when they look just alike.

Mr. CAMPBELL. You are absolutely right. That is probably why in the Accelerated Public Works Act, which is now extant, there was no such requirement.

In the drafting of this legislation I believe the drafters took into account the possibility and probability of funding as well as the area of need, and felt that the choice between what you now propose of having a flat percentage grant and a percentage of repayment would involve more funds than were in sight to be committed to the grant program. We could serve more communities by applying this repayment test and spread what grant money we could foresee would be available among more communities than if we chose the other approach.

Mr. POAGE. Maybe if we just have the confidence in ourselves that the other committees seem to have we could get the funds. They have them, haven't they?

Mr. BROCK. They certainly have.

Mr. CAMPBELL. They are out of funds. They are not operating.

Mr. POAGE. You will be out when you spend beyond \$25 million. That is the limitation.

You will have to try to get some more money next year.

Mr. CAMPBELL. It is hard to tell people who are out of water they will have to wait until next year.

Mr. POAGE. Those who are out of water have been out of water for a long time and knew they would be short of water.

I had not realized that the House would be in session today at 11 o'clock.

Mr. GATHINGS. I just got a note here from the president of the Arkansas Farmers Union who is in the room. He had plane accommodations to leave this afternoon. He is anxious to get out of town and wanted just a couple minutes of the committee's time if possible.

Mr. POAGE. That is what I was getting at.

I thought we should dismiss these witnesses. We have Governor Stafford here who wants to be heard. Mr. Andrews is here and he wants to be heard.

Certainly I also want to hear from your constituent as fast as we can. I know the Governor has a short statement.

We thank the Department.

Mr. BROCK. Thank you and the committee for your attention in listening to us.

Mr. POAGE. We shall at this time hear from Governor Stafford.

STATEMENT OF HON. ROBERT T. STAFFORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VERMONT

Mr. STAFFORD. I appreciate that very much, Mr. Chairman. I am delighted to have this opportunity to be heard on S. 1766 and the companion bills which have been introduced in the House. S. 1766 was introduced in the other body by my senior Senator from Vermont, Senator George Aiken, and 92 of his colleagues. With such backing it is not surprising that this legislation recently received unanimous support in the other body, although I appreciate the fact that we in the House reserve the right and exercise the right to make up our own minds on the desirability of this legislation. As a cosponsor of this landmark legislation on the House side, and I might add that the first bill in the House of Representatives was introduced by me, I give my strongest support to the rural water facilities proposal.

To the 30,000 rural communities which exist in these United States today without adequate water systems this legislation can indeed literally mean life or death.

I shall not go into the technicalities of S. 1766 as more expert testimony already has been heard by you from the Department representatives.

First, as the introducer of H.R. 7968, let me state that I fully accept the amendments made to S. 1766 by the Senate Committee on Agriculture and Forestry. These amendments, as you know, are five in number and are referred to on pages 4 and 5 of the Senate Report 500.

Secondly, I would like to emphasize the continuing need, indeed the critical need, for this legislation even though the Congress has recently greatly expanded grant programs for water system development under the Housing and Urban Development Act of 1965. This is not an overlapping of services between the proposed Rural Water Facilities Act and the water programs administered by the Community Facilities Administration under the Housing and Urban Development Act as the Department witnesses explained earlier. This proposal would be administered by the Farmers Home Administration.

This would be administered for and restricted to areas as it is now drawn, engaged in, or associated with agriculture.

The community facilities program is primarily for urban areas and so-called bedroom towns to urban cities. Its activities, as I understand it, are restricted to public bodies.

This rural water program is for the thousands of people who live in small agricultural areas. Assistance would be given not only to public bodies representing these people but to cooperatives and private groups who serve these citizens on a nonprofit basis.

I cannot accept the Department of Agriculture's last-minute decision dictated by the Bureau of the Budget that section 1 of this bill should be deferred. The testimony of the Administrator of the Farmers Home Administration and the plight of the 30,000 rural communities without adequate water belie this position.

Mr. Chairman, in closing I should like to interject a personal word if the committee will permit me concerning the original sponsor of this bill now under consideration. Senator Aiken has represented the people of his State and his Nation for more than a quarter of a century here in the Congress of the United States. He has gained the respect and admiration of all his colleagues on both sides of the aisle.

More important, he has gained the heartfelt thanks of common people everywhere for he has never forgotten their needs and their feelings. This legislation is a testament to the kind of life he has lived.

I am deeply in hopes that it will receive positive consideration by this committee and the House. Our rural areas need and deserve it.

Mr. Chairman, the Governor of Vermont, the Honorable Philip H. Hoff, appeared before the Senate Committee on Agriculture and Forestry earlier this year and testified before that committee.

If it is not inappropriate I would ask the committee's consent that the statement and the supporting data which Governor Hoff there supplied be made part of this record.

I shall be glad to supply it to the counsel of the committee.

Mr. POAGE. It is already part of the record, is it not? If the Senate heard him their record is printed the same as ours. There is no purpose in burdening our record with the same thing.

Mr. STAFFORD. In that case I will withdraw the request. I would not want to be guilty of any duplication of effort.

Mr. POAGE. We want to hear the Governor's testimony but if it is in the Senate hearings that is just as available as our own.

Mr. STAFFORD. I very much appreciate the chance to appear and testify this morning.

Mr. POAGE. We are glad to have had you.

Any questions?

We are very much obliged to you.

Our next witness will be Mark Andrews, Congressman from North Dakota.

STATEMENT OF HON. MARK ANDREWS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. ANDREWS. I appreciate the opportunity. Because of the expert witnesses and the testimony of my colleague, Mr. Stafford, I will make mine short.

You know the main thrust of this bill. I would like to point out my bill, H.R. 2834, which is identical to the others, provides for this much-needed development for rural communities. We all know what REA has done for rural living. REA, by bringing electricity, and RTA, by bringing telephones to the family on the land, have made the farm a better place to live. So, too, do we need the help of water systems for rural and small towns.

Mr. Stafford mentioned, I am sure you realize, that 30,000 communities of less than 5,000 population have an inadequate water supply. Ours is unique legislation in that it has 92 Senate sponsors. I am sure support in the House will be equally great.

I would like also to point out that we have heard a lot in the House recently and in the Congress in the last few months about poverty and equal opportunity. Certainly the small town of rural America is the backbone of this country, and if we can make the small town a better place in which to live by providing the funds and the facilities to have a municipal water supply we could well encourage people to stay in these small towns.

This could be the spark that made the difference between the small town staying alive or fading out of existence.

I think perhaps that this helps all of America and I think this is the reason why the Governor of New York and both Senators from the State of New York have recognized this as necessary legislation.

We want to help the small communities to survive. It is no answer to our problem to have people moving out of the small town and into the large cities and adding to the troubles of the large city.

For this purpose I think, Mr. Chairman, that this would be a wise investment of the Government's money and I certainly am wholeheartedly in favor of this legislation.

Thank you for the opportunity to support this bill before you.

Mr. POAGE. We are glad to have you with us.

We shall insert at this point a letter from Congressman James C. Cleveland, who could not be here this morning.

(The letter referred to follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 27, 1965.

HON. HAROLD COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.*

DEAR COLLEAGUE: I understand that hearings are scheduled on S. 1766, and similar legislation. The bill calls for a limitation of 5,000 or less in population, and I have been contacted by several small communities in my district that are just over that number urging that favorable consideration be given to an increase in the size of population. If you and your committee staff feel that an increase to 6,000 or 7,000 is warranted by factors which you have at your disposal, then I join my constituents in urging that this change be made in the legislation.

My district has been severely affected by the drought. There is a real need for this type of help. Generally speaking, the large communities by virtue of their size are not as badly in need of this assistance as are the smaller communities but the limitation of 5,000 would leave out several communities that badly need the help.

Thank you for your consideration of this request.

Sincerely yours,

JAMES C. CLEVELAND,
Member of Congress.

Mr. POAGE. We have our colleague, Mr. Stratton, from New York. We shall be glad to hear from you.

**STATEMENT OF HON. SAMUEL S. STRATTON, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. STRATTON. Mr. Chairman, I want to join in supporting this legislation, S. 1766.

We are facing in many parts of my district in New York State and in the Northeast a third year of severe drought and we do need help.

I am not certain that this bill is the only answer, Mr. Chairman, but I think it is certainly a very valuable piece of legislation and can contribute a great deal toward meeting our needs. Therefore, I certainly support this legislation and I am joining in sponsoring it.

I think we need other kinds of help as well as what this legislation will provide, Mr. Chairman. I am not sure that we have solved the problem of just what kind of legislative form this help ought to take. I think we need help, for example, in irrigating crops. I think perhaps we ought to have some experimentation in terms of stimulating rainfall because what we are faced with in my district and in many parts of the Northeast has had a very heavy impact on agriculture itself, and S. 1766 will not necessarily provide the water that is needed to take the place of the rainfall that we have not had, but the Aiken bill is certainly a big step forward and I support it.

I do think, Mr. Chairman, that perhaps the bill might be amended to give some assistance to individual water systems as well as merely to public water systems. There are people in rural areas that cannot economically become a part of a public water system, and yet they may need some assistance in developing a more adequate water supply system during this drought.

Other than that, Mr. Chairman, I support the bill and I hope that it will be favorably reported by this committee.

Mr. POAGE. Thank you, Mr. Stratton.

We will now hear from Congressman Widnall.

**STATEMENT OF HON. WILLIAM B. WIDNALL, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. WIDNALL. I am pleased to appear before your subcommittee on the several bills, including my own H.R. 9987, which will make possible a dependable water supply in thousands of smaller communities and rural areas throughout the country. They will help assure dependable water supplies in time of drought, and provide for an orderly and sound growth and development to help meet the needs of our expanding population.

These bills would authorize the Secretary of Agriculture to (1) make or insure loans not exceeding \$5 million to public and quasi-public agencies for water systems in smaller and rural oriented communities; (2) make grants not exceeding \$25 million in any fiscal year to finance projects for the storage, treatment, purification, or distribution of water; (3) define rural areas for the purpose of water systems as areas primarily engaged in or associated with agriculture and not having a population in excess of 5,000; (4) increase the limit on loans

which may be insured under subtitle A of the Consolidated Farmers Home Administration Act (real estate and similar loans) in any one year from \$200 million to \$450 million, and repeal the provision prohibiting agreements by the Secretary to purchase such insured loans in less than 3 years from the date of the note; permit the Secretary to fix the insurance charge retained by him from borrowers' payments, and the portion of such charge deposited in the insurance fund; and (5) increase the amount of loans made from the insurance fund which the Secretary can hold at any one time for future sale to \$50 million from the present \$25 million limit.

In recognizing the particular financial needs of our smaller communities and rural areas, I am very mindful of the seriousness of the present drought situation to suburban and urban America, particularly in the Northeast. This is both a national and regional problem, and solutions must be found at both the national and regional levels. The water crisis, caused by the 4-year drought, and aggravated by New York City's excessive and unreasonable demands on the waters of the Delaware River threatens citizens in New Jersey as well as adjoining States, particularly Pennsylvania.

I am pleased that this bill, which has already passed the Senate, avoids any duplication with the current housing legislation. The services rendered under this bill by the Farmers Home Administration are restricted to those areas primarily engaged in or associated with agriculture and not having a population in excess of 5,000 inhabitants, for it was felt that assistance given to nonagricultural areas should be provided by some agency other than the Department of Agriculture.

Still, the coverage of the bill which I have introduced is considerable. For instance, some 30,000 rural communities need new water systems for food processing, for preparing vegetables for market, for fire protection, for the use of local industries and household uses, and to meet the high sanitary requirements of the milk producers in dairy areas. Many communities which need new or additional water supplies cannot presently afford them, and are as entitled to obtain Federal aid of the kind provided urban areas as any other communities of our country. In other words, size and population are not the only criteria which should be applied, but the needs and purposes must be considered as well.

Without objection we shall have our colleague, Mr. Redlin, extend his remarks.

Our colleagues, Mr. Schmidhanser, Mr. Cleveland, Mr. Whalley, and Mr. Hansen, have asked that their statements be included.

Without objection they shall be included in the record.

(The statements referred to follow:)

STATEMENT OF HON. ROLLAND REDLIN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NORTH DAKOTA

Mr. Chairman, the importance of maintaining sanitary and healthful living conditions is well understood by my colleagues. Recent legislation to facilitate these conditions has been aimed primarily at urban and suburban areas. As a Representative of one of the most rural congressional districts, I wish to voice my support for new programs tailored for the specialized conditions of rural agricultural areas.

Last week, on July 23, I was pleased to note that the other body approved S. 1766, to inaugurate a grant program for soil and water associations and local public agencies to plan and construct water systems in rural areas, as well

as to make Farmers Home Administration loans available for the same purpose and to expand FHA lending authority. While I heartily approve the objectives of S. 1766, I would suggest scaling upward the grant program and broadening it to include assistance for drainage and waste disposal systems.

Mr. Chairman, many rural communities require new water systems, but cannot meet the costs. In North Dakota, where 65 percent of the people are rural residents, the situation is serious. The lack of adequate water and sewage systems prevents many rural towns from becoming processing centers for dairy and agricultural commodities.

Comprehensive programs to assist urban areas in providing water facilities have been in operation for several years. We need a corresponding program to cope with the special problems of rural areas and could utilize to good advantage experience, background and knowledge of the Farmers Home Administration.

Mr. Chairman, new and expanded programs to build water and sewage systems are badly needed to raise the overall living standards in our Nation's rural communities. I urge favorable consideration of legislation to make such improvements possible.

STATEMENT OF HON. JOHN R. SCHMIDHAUSER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF IOWA

I want to thank the distinguished chairman and the members of this subcommittee for providing me with the opportunity to appear before you today on behalf of S. 1766. The need for favorable congressional action on the bill before this committee is underscored by our rapidly increasing population and our steadily expanding need for water. This need is further exhibited by the fact that many areas of our Nation are presently suffering a severe water shortage. This point was made in a booklet recently published by the Farmers Home Administration entitled "Thirty Thousand Communities Without Water." According to FHA, all of the 30,000 communities without water systems have less than 2,500 population and about 15,000 are under 100 population.

This lack of water systems also is revealed by statistics which point out that one out of every four farm homes, and one out of every five rural nonfarm homes, do not have running water. Furthermore, it should not be implied from these figures that the other rural homes have either an adequate or a dependable and safe source. The cisterns, wells, and ponds that provide water for our rural families often go dry, enhancing the possibility of contamination.

Our rural American's existing water supply also is threatened by nitrates from fertilizers, detergents, and waste products. Most of our cities have deep wells or are able to obtain equipment to purify unsafe water. On the other hand, many of our small towns and villages, and rural families throughout many parts of our Nation, must too often rely on shallow wells which are constantly threatened by contamination.

I respectfully urge that the members of this committee support the pending proposal. It is my firm belief that rural America cannot attain its rightful and most deserving place in our Great Society until some action is taken to meet the existing water problem. Lack of adequate, pure, running water is a significant hindrance to the full development of our rural communities. The lack of adequate pure running water adversely affects the efforts of rural communities to attract new, job-creating enterprises. I, also, believe that in many cases the present situation is a serious hindrance to the war on poverty, to the rural electrification program, to efforts to provide recreation and other facilities, and to wholesome rural living.

If I, again, may respectfully reiterate, the need exists, and as Clyde T. Ellis, general manager of the National Rural Electric Cooperative Association, so ably stated, "It virtually cries out for a massive, full-scale program directed at eliminating the disparity in water service."

STATEMENT OF HON. JAMES C. CLEVELAND, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF NEW HAMPSHIRE

Mr. Chairman, I am grateful for this opportunity to testify on behalf of S. 1766, which would provide for grants and increased loans for water facilities in rural agricultural areas. Certainly, my section of the country and the entire Northeast are in dire need of such assistance. The 4-year drought is having a severe impact.

While the most dramatic publicity concerning the water shortage is being given to New York City and other large metropolitan areas, the impact on small rural areas is every bit as severe. In some ways, the consequences of the drought are greater in the small, country areas because of their economic dependence on agriculture and because they lack the financial resources available to the big cities.

In considering this bill, however, I respectfully request that the committee revise the legislation so that 6,000 persons be made the population limit under the bill rather than the limit of 5,000 which is set in the Senate bill, S. 1766; or 5,500, which is the limit established in the comparable House bill, H.R. 10232 by Mr. Poage.

I prefer H.R. 10232 to S. 1766 with respect to section 7 in each bill (p. 4, lines 10 through 12 of H.R. 10232; and p. 5, lines 5 through 9 in S. 1766) because I am afraid that the narrower definition of a rural area, which is set forth in the Senate's bill, might lead to misunderstandings and difficulties in interpretation. I believe the definition set forth in H.R. 10232 is preferable from an administrative point of view. I hope the committee will find it feasible to recommend at least a small increase in the limits and adopt the broader language of the House bill.

With these qualifications, I am pleased to endorse the legislation and urge its passage.

STATEMENT OF HON. J. IRVING WHALLEY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF PENNSYLVANIA

Chairman Poage and members of the subcommittee, almost unbelievably there are today, in the United States, still more than 15,000 rural towns and other thousands of fairly heavily settled rural areas without modern water systems, primarily in communities of less than 2,500 population.

These people, no less than other Americans are entitled to some of the niceties of everyday life, such as a reliable water supply. This is hardly to be considered a luxury.

With intermittent droughts spreading throughout the country and consequent stringency of water supplies it has become a real struggle for many thousands, if not millions, of the Nation's farmers and small rural communities to secure that substance which is so necessary to life and the manifold activities of rural living which is water.

With lowering water levels wells in many instances are being exhausted and funds are not available for further drilling or establishment of central supply systems for rural communities. They do not have the resources nor the credit but they do have the desire for and vital need for water.

The Consolidated Farmers Home Administration Act of 1961 was a step in the right direction when it authorized loans to be made to rural communities for the purpose of establishing central water systems, either to groups of individuals and to individuals for improving water supply.

This authority has been utilized to good purposes. However, the limitation of \$200 million on the amount of loans outstanding has not been sufficient to meet the demand for this and kindred purposes.

At the present time there is a backlog of requests for loans or insurance for loans under section 306(a) of the Consolidated Farmers Home Administration Act. On December 31, 1964, while loans were being made at the rate of 1,200 a month, 16,324 applications were on hand; 1,429 applications were on hand in June of this year for water supply loans alone.

Mind you these were from individuals, groups, and rural communities who could not otherwise secure the necessary financing from other credit sources. Credit is simply not available to nonpublic bodies for creation of new water distribution systems.

Commercial credit agencies require some assurance of sustained revenue sources before they will extend credit for this purpose. Even small rural towns and water districts lack the ability to provide these assurances and so are forced to rely on this program.

With the modern-day demands for high health and sanitary standards where the Nation's food products originate, water of good quality and sufficient quantity is an absolute necessity in such areas as livestock raising, dairying, poultry, food processing as well as for fire protection and domestic use.

These communities are not eligible for Federal grants to improve their water supply, they cannot meet commercial credit demands but are in serious trouble and they may not be able to continue farming or living in rural areas without some assistance.

The past record of repayment has been superbly good and there is no reason it should not continue to be. This must assuredly be an indication of the worthwhile accomplishments to date.

The expansion of the total authorization from the present \$200 million to \$450 million is urgently needed, both because of the backlog and because of the growing drought conditions which have reached the emergency stage in many sections of the country. This \$450 million limit includes not only the water supply loans but land use change, farm ownership, and soil and water conservation loans. To be large enough to meet all of these needs \$450 million is none too great.

Under certain conditions where the local groups cannot or may not legally borrow sufficient funds to meet their needs there are provisions for grants and for planning. These are limited to \$25 million and \$5 million annually and would be used only for emergency cases.

The benefits to be realized from this amplification of the Consolidated Farmers Home Administration Act are readily apparent and worthwhile.

With water made available more people would remain on the land, contributing to the Nation's growing food requirements. Additional employment opportunities in local industries are consequently sure to develop, sanitary standards on farms and food processing establishments would be maintained and probably improved. And last, but not least, the ever-present specter of possible disaster, complete loss of water supply, may be dispelled and life made a little better for a group of Americans who have no other recourse.

I urge your support for this legislation as represented by H.R. 10118.

STATEMENT OF HON. JOHN R. HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF IOWA

Mr. Chairman, I want to thank Chairman Poage and the members of this subcommittee for granting me the privilege of testifying before this committee on S. 1766 and my companion bill H.R. 10123.

Yesterday I inserted in the Congressional Record my comments on the introduction of H.R. 10123. I would like to make these remarks a part of the testimony being made before this committee.

LOANS FOR WATER SUPPLY

Mr. Hansen of Iowa. Mr. Speaker, on Friday, July 23, the other body passed S. 1766, authored by Senator George D. Aiken. The bill provides authority for the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans. There were 98 cosponsors of this measure with the Senator from Vermont.

This heavy support certainly attests to the fact that there is a real need for the provisions contained therein. It might be said that grants and loans for water systems in small towns and rural communities is provided for in section 702 of the Housing and Urban Development Act of 1965. Technically this is true, but from a practical standpoint, the HHFA has too little understanding and appreciation of the needs in small communities to cope with this problem effectively. Moreover, they are primarily geared to administering projects in urban areas and are not equipped philosophically to handle the strictly rural and small-town problems as evidenced by the development of the Farmers Home Administration in its successful activity in the housing loan field in small towns and rural areas.

It is for this reason that I have filed H.R. 10123 as a companion piece of legislation to S. 1766 in an effort to assist in the correction of a long-overdue deficiency.

A letter which I received from Mr. Gene L. Hoffman, Farmers Home Administration Director of the State of Iowa, outlines very pointedly a typical example and I submit it for whatever value it will have in bringing this question clearly before my colleagues in the House of Representatives:

U.S. DEPARTMENT OF AGRICULTURE,
FARMERS HOME ADMINISTRATION,
Des Moines, Iowa, May 28, 1965.

HON. JOHN R. HANSEN,
*House of Representatives,
Washington, D.C.*

DEAR JOHN: I received a copy of the letter that Robert G. Lewis, Administrator, Rural Community Development Service, Department of Agriculture, sent you concerning an inquiry from Mr. Charles Nelson, mayor of the town of Orient, Iowa. Perhaps I can best supply the information you desire.

About 2 years ago members of my staff and myself met with the local council in Orient to explore the possibility of their cooperating in the watershed project. Under the watershed program administered by the Soil Conservation Service, consideration can be given to benefits of a water supply to a municipality, for recreation, as well as flood control. Had a watershed been developed, there was a possibility that part of the costs incurred in providing a water supply for the municipality would have been included as a part of the cost of the project.

Orient is located on Highway No. 25 midway between Creston and Greenfield. The present population of 341 represents a decline from 427 in 1950. The town has neither a water system nor a sanitary sewer system. The people in the community are aggressive and interested in acquiring both water and sewer for their residences.

This past year the town contracted with an engineer and had several test wells drilled. Preliminary estimates place the cost at around \$115,000 for an adequate system. A bonding program was scheduled which included \$39,508 general obligation bonds; \$44,250 special assessment bonds; and \$50,000 in revenue bonds. The general obligation and revenue bonds would draw 5-percent interest and special assessment bonds would accrue at the 6-percent interest rate. Initially, the plan was based on 100 users. An election on May 12 rejected the plan by a substantial majority.

Mr. Charles Nelson, mayor of Orient, heard about our effort to help the town of Clearfield and contacted our office on May 6, 1965. Mr. Kenneth Bower, a member of my staff, called on two of the council members and discussed our soil and water association loans to help small towns provide water systems. They were very much interested and asked that we meet with the council and other members of the community.

On May 19, Mr. Bower attended a meeting of the council with the city attorney present. Potential possibilities of a water system were discussed, recognizing that at least 100 community users would be needed to make the plan feasible. After the council discussion, a group of approximately 40 local residents met at the schoolhouse and raised a number of questions relative to the proposal. A majority of those present were senior citizens. Many of them have low incomes and the cost of water was a very important factor in their decision. Even these senior citizens recognize, however, the importance of both water and sewer if their community is to remain alive, thrive, and grow. Plans were made for a house-to-house survey to determine actual interest in continuing with plans for FHA assistance.

Several times during the meeting questions were asked as to availability of grants to assist small towns in efforts to install both water and sewage systems. John, I am sorry we had to tell them that such assistance is not presently available. Frankly, they cannot understand, and I am unable to give any feasible explanation, as to why larger municipalities are eligible for various types of grant assistance and small towns are not.

There are 707 towns in Iowa with a population of under 1,000. Over 300 of these towns have inadequate water or sewage systems. Many of the wells in these rural communities are contaminated. They do not afford even meager fire protection. In many of them the majority of the residents are senior citizens. They want to retire where they have spent the major portion of their life and in their own home environment.

John, you are aware of the personal position I have taken for years with respect to preservation of our rural communities. We can't move all of the

people in rural communities into Des Moines, Cedar Rapids, Waterloo, Omaha, et cetera. Yet if these small communities are going to grow, they must be able to offer the same services of water and sewage and even credit for modest housing. This is necessary if we are going to entice and keep our young families in these communities.

The town of Orient is a classic example. It is well located near the industrial center of Creston and the local citizens feel that many younger people would prefer to live in Orient and would probably build homes if water and sewer were available. School districts have been reorganized in the Orient vicinity and they have both a grade and high school in the town. It is quite likely that this situation will not be disturbed in the foreseeable future. Assistance in helping defray the cost of water and sewer installation would be a justifiable investment by the Government. A modest 25-percent contribution in the form of a grant would make this project feasible and do much to stabilize the community.

John, I am sure that both you and I recognize that any grant assistance that could be made available to provide essential services to our small communities is as important to our Nation as grant and aid given to urban development. Future investment in rural communities could be much less costly than that which has already been incurred in handling displaced rural people in urban areas.

We shall continue to work with the town of Orient and hope that a feasible project can be developed to provide a safe and sanitary water system and offer some fire protection. If we make the loan I assume they will make the personal sacrifice of paying high monthly rentals which will be necessary to repay it. If, on the other hand, funds were available to make a grant for part of the costs, the senior citizen in Orient could enjoy the water while he used and paid for it.

Sincerely yours,

GENE L. HOFFMAN, *State Director.*

Mr. Speaker, this is an urgent matter for many of our small communities and I hope the House of Representatives will move with dispatch on this measure. Those of us in rural America feel that the effective work being done in the urban centers by HHFA should be duplicated in our sections of the Nation.

Mr. DOLE. Mr. Skubitz has a companion bill. May his statement be submitted for the record?

Mr. POAGE. Yes.

(Congressman Skubitz' statement follows:)

STATEMENT OF HON. JOE SKUBITZ, A REPRESENTATIVE IN CONGRESS, FROM THE
STATE OF KANSAS

Mr. Chairman, first, I want to thank you for permitting me to appear before this committee to submit a statement in relation to S. 1766. On July 9 of this year I introduced a companion bill, H.R. 9737. I come before you today in support of these bills and the philosophy which they uphold.

As I pointed out in my remarks when I introduced H.R. 9737, the Rural Electrification Administration has done a wonderful job in supplying electricity and telephone service to rural America. When REA was established some 30 years ago, 9 out of every 10 farmers in this Nation were without electricity to light their homes and to provide power to operate their equipment. Private enterprise could not profitably supply power in these areas at a price that the farmers could pay.

The Congress of the United States therefore provided funds through a loan program whereby these farmers could organize, borrow funds, and establish their own lines. Since 1936, 5,386,088 farmers have been provided electricity at a reasonable rate. As a result of this program less than 2 percent of our farmers are without electricity today. Through the REA we were successful in bringing electricity and telephone service to our farm population. But more than this needs to be done, and much could be accomplished through enactment of the legislation before you today.

In general, this legislation—the rural water facilities bill—would provide for grants and increased loans for water facilities in rural areas. The Congress has already approved authority for grants to political bodies to assist in providing

water facilities for our urban people. Citizens in rural areas have the same need and are entitled to the same degree of assistance. The health and welfare of these proud citizens are just as important to our national interest as the welfare of our city dwellers who cry for larger dams, bigger reservoirs, and more water supply systems to take care of their water requirements.

Farmers all over the United States are finding it increasingly difficult to meet the high sanitary requirements for food production with old-fashioned supplies of water. There are 6½ million farm families dependent upon wells and cisterns, 65 percent of which are contaminated at various levels according to figures supplied by the Public Health Service. Some 30,000 rural communities—towns with less than 5,000 population—do not have an adequate water supply. It is a tragic fact that one out of five farm homes are without running water. This is a critical situation in the Fifth District of Kansas where over half of the people reside in communities under 2,500.

Mr. Chairman, for continued social and economic progress we cannot serve our cities to the exclusion of rural citizens. The requirement is for coordinated development of rural and urban areas. It is estimated that our rural areas will have to absorb an estimated 100 million people in the next generation.

Thousands of small rural communities are withering on the vine because they lack water. Without a central water system, without a waste disposal system, no community could hope to attract industry or encourage others to settle in it. Thousands of our senior citizens are forced to leave these areas and take up residence in more modern communities where living costs and taxes are much higher.

In 1961 we began to show some interest in the plight of these forgotten areas. Since 1961 the Farmers Home Administration has loaned \$72 million to finance rural water systems in 558 rural communities. Unless this program is stepped up irreparable damage will result.

Therefore, I am lending my support to the legislation pending before you today—the rural water facilities bill. We should recognize the development potential in our rural areas and help them meet the needs of an expanding America. We must make the conveniences of the cities, provided for with public funds, also available to the small towns and rural communities.

Mr. DOLE. Mr. Bandstra also has a statement he would like inserted.
(Mr. Bandstra's statement follows:)

STATEMENT BY HON. BERT BANDSTRA, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF IOWA

Mr. Chairman, members of the subcommittee, I am here to testify in support of H.R. 10052, which I introduced on July 26 to supersede H.R. 7998.

H.R. 10052 amends the Consolidated Farmers Home Administration Act of 1961 to provide for a program to develop rural water facilities. The bill would authorize up to \$25 million annually in grants to help rural communities finance construction of water systems and also authorize up to \$5 million annually for comprehensive planning of such water systems. In addition, it would expand the existing authorization under which the Farmers Home Administration provides loans for the development of rural water resources.

The need for this legislation is obvious. It is estimated that there are about 30,000 rural communities in the United States today that lack an adequate water supply. In my home State of Iowa, according to latest figures from the U.S. Public Health Service, there are about 290 towns with more than 100 population that do not have communitywide water facilities. Seventy of these towns, with a combined population of about 18,600, are located in the Fourth Congressional District of Iowa, which I represent. The Fourth District, a predominately rural area, has only about 13 percent of the State's population. At the same time, however, it contains about 24 percent of the Iowa towns without community water service. And so I am particularly aware of the need for helping rural communities develop modern water facilities.

With one exception, H.R. 10052 is identical to S. 1766, which passed the Senate on July 23 and is now before this subcommittee. The single exception relates to subsection (7) under the amendment to section 306(a). In the Senate bill, subsection (7) would restrict loans and grants by the Farmers Home Administration to rural communities "primarily engaged in or associated with agriculture." Under H.R. 10052, this restriction would be removed and loans

and grants would be available to any rural community with a population of 5,000 or less.

I feel it would be unfortunate if the restriction in subsection (7) of the Senate bill were enacted into law. At present, there is no such restriction on the Farmers Home Administration's loan program, and I can see no valid reason for limiting a future program in this way. If a rural community applies for assistance in developing a water facility, the primary consideration should be how badly the community needs a water system and not how closely it is associated with agriculture. The Housing and Urban Development Act of 1965 provides for grants in developing urban community water systems under the Housing and Home Finance Agency. During the debate on the housing bill in the Senate, it was made clear that the HHFA program would apply primarily to urban areas, and that the Farmers Home Administration program proposed by the legislation before this subcommittee would serve to meet the needs of rural areas. The Farmers Home Administration program, therefore, should be broad enough to include all rural communities in need of assistance in developing water facilities.

The lack of adequate water facilities is one of the most pressing problems facing many rural communities. Without a good community water supply, a community cannot hope to develop economically. And, if its economy does not grow, it lacks the financial resources to construct water facilities. H.R. 10052 will help many communities find a way out of this dilemma, and I respectfully urge that it be given favorable consideration.

Mr. POAGE. Is there anyone else who would like to submit a statement?

(No response.)

Mr. POAGE. Mr. Gathings' constituent, Mr. Johnson, is with us. We want to hear from him. He has to leave this afternoon.

While the bells have rung and the roll is being called, if you have just a very brief statement, Mr. Johnson, we will hear from you.

STATEMENT OF LEWIS J. JOHNSON, PRESIDENT, ARKANSAS FARMERS UNION, LITTLE ROCK, ARK.

Mr. JOHNSON. Thank you, Mr. Chairman. I will be very brief. I am Lewis J. Johnson, president of the Arkansas Farmers Union representing the National Farmers Union. We want to go on record favoring this bill.

As it would apply to Arkansas, Mr. Gathings, we have some 400 small towns in our rural communities that would come under this. It is a wonderful thing. It will give us an opportunity to reactivate these small communities. We think this bill certainly is needed.

I heard the grant part of it mentioned, Mr. Chairman. If I might say this, and I will hush—I served on the Arkansas Pollution Commission. You have a Federal grant which provides a percentage for all participants. I am suggesting that that might serve the purpose here if you are going to have grants. Make it percentagewise for all of them eligible to participate in the program, which will get you away from saying this community needs it more than this community, Mr. Gathings.

It would simply say we will match it 30 percent; borrow the other 70 percent. Or it might be, match it 20 percent, whatever the wishes of Congress.

However, we need this bill. We need this appropriation. We need this fund in Arkansas so we may continue progress in building back our rural communities.

I want to thank you very much for allowing me to come before you this morning.

Mr. POAGE. Thank you very much, Mr. Johnson. We appreciate your being with us. We appreciate your statement.

Mr. CALLAN. For the record, Mr. Chairman, on July 14, at page 16183 of the Congressional Record, there is information regarding this bill that I think some of the Members might want to consider. This is the Record of July 14, 1965, page 16183.

Mr. POAGE. Is there anyone else here who wanted to be heard in favor of the bill?

STATEMENT OF EDWARD W. KILEY, REPRESENTING NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. KILEY. Mr. Chairman, my name is Ed Kiley with the National Rural Electric Cooperative Association.

I have a prepared statement. It has been submitted. In lieu of time, I would be glad to just submit that statement.

Mr. POAGE. Without objection, it will be included in the record. (Statement of Mr. Kiley follows:)

STATEMENT OF NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. Chairman and gentlemen of the subcommittee, I am Edward W. Kiley, rural areas development specialist of the National Rural Electric Cooperative Association. This is a national service organization for almost 1,000 rural electric systems operating in 46 States, and serving nearly 10 percent of the population of the United States with electric power.

Rural electric systems have consistently supported legislation which would provide adequate water systems throughout rural America. We urged changes in the existing law to remove the present \$1 million ceiling on loans to any one organization, and limit loans only by feasibility with the provisions to allow additions as they become feasible. At this point, I would like to submit for the record resolutions passed at the 1964 and 1965 annual meetings of our association dealing with this subject.

Statistics show that some 30,000 communities in rural America (towns of 5,000 and under) do not have an adequate water supply. One out of four rural farm homes and one out of five rural nonfarm homes are without running water.

In the annual loan fund survey of our membership this year, we included questions regarding area development needs. Over one-third of the systems reported that water and sewer facilities in their service areas are inadequate; and about 1 out of 10 of these systems reported no water and sewer facilities available whatsoever.

As rural areas development specialist at NRECA, I receive many requests for assistance with varied development projects. By far the most frequent requests I receive are for help in developing water systems.

President Johnson, in his farm message, called for a parity of opportunity for rural America. Without adequate water and sewage facilities, rural America will continue to be handicapped as compared with urban America. Rural electric systems, recognizing this, fully support all efforts to close this gap.

Our systems have consistently worked for the development of their communities. Through their efforts in the last 4 years, 135,000 jobs have been created by 1,500 various projects, which represent an investment of over one-half billion dollars, most of which was locally raised funds.

We believe that just as the Rural Electrification Administration, through its program and the efforts of rural people in the past 30 years, electrified rural America, so too in 1965 a similar coordinated allout effort is required to obtain much needed rural water systems. Enactment of S. 1766 can help attain this goal.

In reviewing the provisions of this bill, we believe that the \$25 million limitation per year for grants is far too low to begin to accomplish the job that must be done. If this program is to move forward and achieve worthwhile results, I am confident larger annual grant authorizations will be required in the years ahead.

Section 2 of the bill, increasing the lending authority of the Farmers Home Administration for water systems from \$200 to \$450 million, is excellent because it demonstrates awareness by Congress that greater efforts in this area are essential. But we believe this amount will not be adequate to do the job.

It is my understanding that while 900 water system loans have been made by the Farmers Home Administration, there is now a backlog of almost 1,500 applications not yet processed or tentatively approved. These alone total over \$225 million.

One further point: The bill as reported out of the Senate Agriculture and Forestry Committee, in subsection 7 of section 1, on page 5, line 8, defines rural areas for the purpose of water systems to include any area "primarily engaged in or associated with agriculture." We feel this is unnecessarily restrictive, vague, and not necessarily applicable to rural areas today. Rural areas were defined clearly in the original bill as being communities have a population under 5,000. This new language could conceivably work a hardship in some cases.

The intent of Congress, we feel, has always been that Farmers Home Administration should serve strictly rural areas, while Community Facilities Administration of the Housing and Home Finance Agency serves largely urban centers. Therefore, this restrictive language is unnecessary and should be removed.

It has been our experience that legislation affecting rural areas and particularly legislation for rural water systems programs, have been continually tacked on to urban area bills. This has resulted in various agencies of the Federal Government being assigned bits and pieces of the job of aiding the rural sections of the country. In our opinion, such efforts cannot be successful. We recognize in this legislation an opportunity for the comprehensive effort we seek and are pleased that it will be under the leadership of a rural-oriented agency.

Farmers Home Administration has demonstrated that it can provide the service to do this job, through its 1,600 field offices. The history of their water system loan program is unexcelled. To date, Farmers Home Administration has loaned over \$100 million and only one loan of \$60,000 is in default. This is less than one-tenth of 1 percent.

Rural America is being electrified as a result of a Federal-local partnership that began in 1935. The achievements of this program, in terms of human dignity, productivity, buying power, and opportunity have been of enormous benefit to this Nation.

The success of a comprehensive effort to bring water to rural America can, in my opinion, make the same kind of impact on our Nation's economy and can succeed in achieving these same results.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 23D
ANNUAL MEETING, JANUARY 25-28, 1965

RURAL WATER SYSTEMS

Whereas the Department of Agriculture through the Farmers Home Administration has in the past 3 years made construction loans to over 300 communities to build public water systems supplying over 100,000 residences with good water; and

Whereas there are still many communities and areas that need and want a public water supply and will make applications for loans to construct same; and

Whereas these loans are now limited to a maximum of \$1 million to any one organization, thus limiting the size of a project so that in many instances it cannot be most economically operated; and

Whereas there is a need to build larger systems in many locations and to expand some already constructed and on which the present maximum loan has been made: Now, therefore, be it

Resolved, That we petition the Congress, the Department of Agriculture, and the Farmers Home Administration to revise the laws and rules as necessary

to remove the limitations on the amount that may be loaned any one organization, and limit loans only by feasibility, with provisions for additional sections when feasible as determined by the Administrator in a manner similar to that now used by REA in making electric and telephone loans.

RESOLUTION PASSED AT NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION 22D
ANNUAL MEETING, MARCH 9-12, 1964

RURAL COMMUNITY SERVICES, WATER, SEWERS, FIRE PROTECTION

Whereas there are now many rural areas contributing to the economic soundness of our rural electric systems, where the water table is falling fast because of increased concentration of homes and business establishments along paved roads as the exploding population seeks satisfactory living sites, and which concentration using septic disposal fields is also causing contamination of wells and individual water supplies making it impossible for many to secure adequate and potable water, satisfactory sewage disposal, fire protection, and other community services; and

Whereas none of the government programs and agencies have a program that adequately serves these rural areas; and

Whereas the Farmers Home Administration has made a good start on central water systems and is best set up to administer the rural community area needs if their program is expanded and remodeled to meet these needs for loans and guidance in community facilities: Now, therefore, be it

Resolved, That Congress be asked and urged to authorize the Department of Agriculture through the Farmers Home Administration to provide a program and financing for rural central water systems, sewage disposal facilities, fire-fighting and protection units and other community facilities as the needs develop similar to those now provided incorporated urban groups through other agencies of government.

STATEMENT OF THADDEUS S. SNELL, REPRESENTING WATER
SYSTEMS COUNCIL

Mr. SNELL. My name is Thaddeus S. Snell. I represent the Water Systems Council. We are in favor of the bill and we have some suggestions which we would like to make, constructive suggestions, but we favor the bill.

We would not like to be recorded as opposing it.

We have some comments and suggestions which we would like to make and a few amendments which we would like to submit but we do favor it.

Mr. POAGE. If you want to talk to us, we will try to give you a chance to talk. You may talk yourself out of court but you make the decision on whether you want us to hear you this afternoon.

Do you want us to hear you this afternoon or not or would you rather submit a statement?

Mr. SNELL. Does the committee propose to adjourn now?

Mr. POAGE. The committee must adjourn. That is the second bell and the committee has to answer that rollcall. The committee has to adjourn.

Mr. SNELL. We have a prepared statement which we will submit for the record.

Mr. POAGE. You may insert your statement in the record.

(The statement of Mr. Snell follows:)

STATEMENT OF THADDEUS S. SNELL ON BEHALF OF THE WATER SYSTEMS COUNCIL

Mr. Chairman, members of the committee, My name is Thaddeus S. Snell. I am an attorney practicing at 134 South LaSalle Street, Chicago, Ill., I am here today on behalf of the Water Systems Council, a national trade association whose members manufacture farm and domestic pumps and water systems and their component parts. The council has about 50 members and associate members. With me today is Durward Humes, executive secretary of the Water Systems Council.

Mr. Chairman, on behalf of the Water Systems Council I want to express our appreciation for the opportunity to testify on this significant legislation.

Water Systems Council members not only endorse but have actively promoted the basic objective of S. 1766 since before the turn of the century. Collectively this industry has devoted its resources and efforts for over 30 years to bring people living in rural areas ample, reliable supplies of pure and wholesome water for agricultural and domestic needs. We are keenly aware that rural water use, excluding irrigation, has more than doubled in the past 25 years. Steadily increasing demands can be anticipated as more and more rural families begin using automatic washers, dishwashers and garbage disposals, as more livestock are raised to feed a growing population, and as more farmers take advantage of automated water services for liquid manure handling, liquid feeding, environmental control, and similar modern farming techniques.

The Water System Council is cognizant that Federal assistance is appropriate to bring improvements in water supplies at a reasonable cost to rural residents who are unable, or to the extent that they are unable, to finance such improvements themselves. The Consolidated Farmers Home Administration Act of 1961, as amended, established a framework for such assistance. Sections 302, 303, and 304 of this act authorize loans or the insurance of loans to individuals who own and operate farms, live on farms or are farm tenants for purposes of development and improvement of water facilities where no other credit is available to them. Section 306 of this act as it presently reads also authorizes loans or the insurance of loans to associations, not-for-profit corporations and public or quasi-public agencies operating as a water district to develop and improve the facilities supplying water to farmers and rural residents where credit is not otherwise available and financial assistance is needed.

S. 1766 proposes to fill a gap in this existing legislation by authorizing grants to such water districts under certain circumstances. As we understand it, if the development costs are so high that they cannot be financed on a sound basis through loans, part of the cost may be provided by grants to supply water from a central supply system developed by a water district if such a supply system is economically the most feasible solution to the problem.

We recognize the need for filling this gap and support this concept. However, we suggest that the problem is still not quite solved. The bill falls short of providing a total answer to the problem in three particulars:

First, the bill does not establish or require the establishment of guidelines or standards of economic feasibility which will assure the most economical use of available Federal funds.

Second, the bill does not establish or require the establishment of technical and engineering standards to assure proper construction of the facilities being financed.

Third, it does not solve the problem of the individual whose water supply is inadequate, who is not part of a water district and who is unable to improve his water supply through a loan or insured loan as authorized under sections 302, 303, and 304 of the act.

FEASIBILITY STANDARDS

The Consolidated Farmers Home Administration Act of 1961 does not contain guidelines or standards of economic feasibility, nor are such standards contained in any regulations of which we are aware. It is apparent from answers contained on pages 62 and 63 of the printed hearing before the Senate committee

that the administration has no specific guidelines or standards by which it determines whether a system is economically feasible, but only a general approach to the problem.

We suggest that such standards should be developed.

It should be noted that there are various aspects of economic feasibility. For instance, there is the question of what type of facility or combination of facilities is economically most feasible to supply water to those who need it. Then there are questions of the ability of the users to obtain other financing, ability of the users to repay the development cost together with the cost of operation without lowering their standard of living, the proportion of the total development cost which should be covered by a grant as distinguished from a loan, and whether the balance remaining to be covered by a loan is or is not within the economic capabilities of the users to repay.

Statistics supplied by the Farmers Home Administration show both high cost and wide variation in cost, probably due in part at least to lack of standards. Appendix A, which I will file and ask to be included after my statement in the record, shows the costs per connection of water district loans approved the first part of this year. It will be noted that these loans vary from \$270 per connection to more than \$2,000 per connection. FHA also stated to the Senate committee that the average development cost per connection of rural water districts under section 306 has been approximately \$1,140 per tap.

To give the committee an idea of the cost of private systems, we have included as appendix B some representative figures showing costs for a total water system together with amortization, maintenance, and operating costs over a 40-year period, which is comparable to the life of a section 306 water district loan. It will be noted that the total development cost varies from \$564 to \$941. It can readily be seen that the per connection development cost of 66 of the 104 loans approved this year exceeded the total cost of a 150-foot well with a modern individual submersible pump and system which would provide equivalent results. Many cost substantially in excess of this amount. The cost of 17 additional systems exceeded the cost of a 100-foot well, modern jet pump and pressure system. Only 10 systems had a lower cost of those for which details were available.

It should also be noted that the total annual cost of the individual well may be a third or less of the cost of obtaining water from a water district. More detail is necessary for a comprehensive analysis which we would be glad to undertake if we were supplied the figures.

Despite these high-cost installations, other applications could not be processed because of lack of funds.

Other economic figures submitted by the Administration support the need for further study of the economics involved.

The Administration indicated to the Senate committee that the average cost per 1,000 gallons of water used by rural water district residents is approximately \$1.50 per 1,000 gallons, which may be reduced to 50 cents per 1,000 gallons for large users. On the other hand, the Administration stated that the average monthly charge was \$7.50 per month for an average of 3,000 gallons per month. This is a cost of \$2.50 per 1,000 gallons.

The national average domestic consumption of water is generally assumed to be about 50 gallons per person per day. This is approximately 1,500 gallons per person per month, or about 6,000 gallons for a family of four for domestic use. Assuming a minimum charge of \$7.50 for 3,000 gallons, plus \$1.50 per 1,000 gallons thereafter, this would place the cost per family at about \$12 per month, or \$144 a year. For farm use this is only the beginning. Cattle will consume from 10 to 20 gallons per day per head, sheep approximately 2 gallons per day, and even turkeys 1 gallon per day per turkey. Thus the cost of water at the average rates quoted by the Farmers Home Administration if supplying any significant farm operation would obviously be substantial.

We do not suggest that this committee concern itself with the details of economic feasibility. No do we submit them in criticism of the Farmers Home Administration. We recognize that the Administration's authority has been unduly limited and that they have had inadequate flexibility in seeking a sound solution. We do suggest, however, that it is the committee's responsibility to establish at least two basic principles: first, FHA should establish guidelines or standards of economic feasibility and apply these guidelines and standards uniformly, and, secondly, FHA approvals, be they loans, insured loans or grants should be authorized only where the proposal will accomplish the objective most economically.

We made the same suggestion in testimony before the Senate Agriculture and Forestry Committee. We also submitted suggested amendments to the bill which would accomplish these objectives.

While the Senate did not see fit to adopt amendments to the bill itself, the Senate committee did accept the principles and obtained from the Farmers Home Administration an agreement that it would establish such guidelines or standards. This commitment was noted in the report on page 4, where the following statement appears:

"In its implementation of this law, the committee understands that the Farmers Home Administration will establish guidelines or standards of economic feasibility which will assure the most economical use of the Federal funds available to carry out the purposes of this legislation * * *"

Should this committee see fit to consider writing into the legislation itself this concept, we have again included among the amendments suggested to the Senate version of the bill amendments to achieve this result.

MINIMUM CONSTRUCTION STANDARDS

The second suggestion of the Water Systems Council is that all facilities installed with Farmers Home Administration financing should meet certain minimum construction standards. It is unwise from every viewpoint to construct substandard water facilities.

We are concerned that some of the water district systems which have been constructed to date with FHA financing have failed to meet commonly accepted construction standards and have been inadequately designed to meet contemplated demands.

The rural water district program is administered with a view to providing service to the maximum possible number of residents within the area encompassed by a proposed system. While this objective is laudable, the sparseness of the population along the periphery of these systems, and sometimes throughout the system, makes it difficult to design a system which is economically practical. The result we understand in some instances has been a compromise of the engineering principles in favor of economic requirements. For example, in one instance 8,300 linear feet constituting 41 percent of an entire distribution system was constructed with 2¼-inch pipe. The State board of health's requirement considered the capacity of a 2¼-inch pipe so limited that it permits the use of such pipe to a maximum extent of 3,000 feet in one system (or 6,000 feet where a branch line connects with a larger main). Such a system as installed is not only substandard at the outset but has no flexibility to respond to an increase in demand for additional connections.

This same engineering plan proposes to use 4,000 linear feet of galvanized service lines and 4,550 linear feet of copper service lines connecting the watermain to the meter box on the property line. The State board of health has found that soil conditions similar to that in the area involved will deteriorate the galvanized pipe within a period of 15 years on the average. Thus despite a 40-year term loan, a substantial part of the service lines will have to be replaced every 15 years, or approximately three times during the life of the loan. Moreover, the use by the system of 1½-inch galvanized pipe for service lines will encourage the homeowners to use the same size and type of pipe to run lines from the meter box into the home. Periodic replacement of this pipe will be the responsibility of the property owner who may or may not be aware of his problem.

The administration's answers to questions submitted during the Senate committee hearing indicate some possible misunderstanding as to minimum standards. It was stated (p. 63, hearings):

"Each water system design is carefully calculated to provide the water supply needed by each user along the line using a maximum simultaneous demand of 3 gallons per minute per tap."

Three gallons per minute per tap is wholly inadequate. Few pumps used in individual systems produce less than 10 gallons per minute, and a flow rate of less than 5 gallons per minute is practically useless. The Water Systems Council Technical Committee considers a system based on 1 gallon per minute for each outlet in a house as a reasonable design standard. Few houses have less than eight outlets for domestic use. A peak demand figure of between 15 and 20 gallons per minute is a more realistic design standard for domestic use only. Farm use would increase this number substantially.

The inadequacy of such criteria is further highlighted by the Secretary's comment to the Senate committee chairman (p. 9, Senate 500) that:

"Another great need in rural communities is effective firefighting facilities, including reservoirs and other sources of water, fire towers, other structures, and equipment for firefighting."

Compromises in design criteria for central supply systems to achieve economic feasibility undermine the basic objectives which we all endorse.

We also understand that in some instances financial projections for the water district contemplate increases in the number of connections several times the initial number but do not incorporate such anticipated growth in the system's design characteristics. Therefore even though the system is adequately designed to meet minimum construction standards with the number of initial connections anticipated, the system as designed is totally incapable of fulfilling the demand which will be imposed by contemplated growth.

A number of groups concerned with community planning have expressed grave concern at the inadequacy of rural water districts generally to supply the increased water demands which many of them will face over the next several decades.

At its 1964 annual meeting, the Tennessee Municipal League took a strong stand in opposition to the rural water district program because of its failure to coordinate the construction of water systems with the development of other community facilities in a manner insuring orderly future growth. A policy statement released by the Tennessee organization reads as follows:

"The requirements of farmers and others in rural areas for pure water through public utility systems should be supplied by municipal and county governments. It is imperative that all governments involved—whether Federal, State, or local—apply the same standards to new commercial, residential subdivision, and house-and-lot development along rural waterlines as those applied in and around urban communities. This must be done in order to prevent sprawling, substandard development eventually reaching urban densities, which has proven so closely to tens of thousands of Tennessee property owners and scores of Tennessee towns and cities in the past."

At its 1965 meeting completely about a month ago, the organization renewed its opposition to rural water districts, which it described as "cancerous shadow governments." The league pledged to fight creation of new districts by obtaining legislation preventing the formation of such districts without proper safeguards (the Nashville Tennessean, June 9, 1965, at p. 5).

Similar opposition has been voiced by the American Municipal Association (now known as the National League of Cities). In 1964, the annual American Municipal Congress adopted a policy statement criticizing "certain Federal programs" which "encourage undesirable sprawl" because they—

"(1) Do not take into account population trends;

"(2) Are not requirement to meet adequate standards;

"(3) Require or permit the creation of special districts that bypass general governments; or

"(4) Are not part of a plan that takes into account how the particular program will affect the overall growth of the area. Among Federal agencies involved in these practices in the fields of public facilities and urban housing are Farmers Home Administration * * *."

The Senate committee chose to handle our suggestions as to construction standards as it did the matter of economic feasibility. It did not adopt our suggested amendments but stated at page 4 of its report that it understood the Farmers Home Administration—

"* * * will also establish technical and engineering standards to assure proper construction of the facilities being financed under the law."

We have, however, also included in appendixes to my statement, which I ask be included in the record, suggested amendments to the bill to accomplish this objective in the legislation itself for the committee's consideration.

ADVISORY COMMITTEES

Formulating proper construction standards and guidelines of economic feasibility are complex matters. The few problems and conflicts to which I have already alluded underscore that which hardly need be stated. The Administration should have the benefit of the vast knowledge that exists, and the advice of other experts in these fields. Municipal organizations, well drillers, ground water experts, power authorities, manufacturers of pumps and pipe, and econo-

mists, to name only a few, should be asked to assist and advise the Administration so that the best possible results can be achieved. Conflicts in facts and figures, different viewpoints and assumptions, and misunderstandings can best be handled and resolved, we believe, through an advisory committee.

We consider this to be a matter of such importance that we have included as a suggested amendment to the bill itself an authorization to form such a committee or committees. However, if the Secretary already has adequate authority, perhaps some comment in the report from this committee would suffice.

For our industry, we would welcome the opportunity of working with the Farmers Home Administration in any way we can be useful to accomplish this commonly recognized goal.

THE ROLE OF THE PRIVATE WATER SYSTEM

I come now to our third and final major point; namely, that S. 1766, with all of its merits, still does not give the Farmers Home Administration the full authority and flexibility which it needs to provide a total solution to the problem. One major deficiency will remain if S. 1766 is enacted in its present form. There is no provision for the individual living in rural America whose water supply is inadequate, who is not within an area which can be served economically from a central system, and who is unable to improve his water supply through a loan or insured loan as authorized under sections 302, 303, and 304 of the act. This individual may be in the drought stricken areas of the Northeast or in the more economically depressed areas of Appalachia, or he may be on the fringes of a water district centered in a small rural community almost anywhere in America. The only economically feasible solution to his problem is either a new or an improved individual water system with part of the cost being paid by the Federal Government. Neither the present law nor S. 1766 provide the necessary authority to fill this need. The necessary authority should be included in S. 1766.

The rural water district, or association as it is called in S. 1766, is a satisfactory vehicle for accomplishing the agreed objective if the water district has the authority and the flexibility to tailor a solution to fit the problem. This it will not have under S. 1766 as now written. The water district can only provide a water supply system based upon a central source of water with distribution therefrom to the various users. Such a system is economically most feasible and in all respects preferable in some circumstances but not in all circumstances or with respect to all potential users. As the Secretary recognized in his letter of June 18 to the chairman of the Senate Committee on Agriculture and Forestry, rural communities needing improved water supply facilities often cannot afford a central system because of "the high cost of providing distribution systems * * * in sparsely settled areas." Where pipe has to be run long distances to supply a few customers, in many instances it is grossly uneconomical. The excessive cost can only be justified if there is no alternative for solving the problem. If water can only be obtained at high cost from deep wells then the cost of the distribution system can be justified. This is not normally the case.

The results to date have been that in order to provide improved water facilities in the sparsely settled areas to which the Secretary referred, and in order to build a system which is still economically feasible, significant compromises in construction standards have been necessary. The reason that this is the only solution which has been possible is because the water districts were not authorized by law to consider alternatives.

People living in rural areas in which a central system is economically feasible and the preferable solution to the problem should not be penalized either through substandard construction or excessive cost simply to bring water from a central source to relatively few others living in outlying areas when there is an alternative solution equally satisfactory and economically more feasible to solve the problem of those in such outlying areas.

The solution to which I refer of course is the use of individual water systems in such outlying areas utilizing modern pumps and pressure systems which will give running water in the home in exactly the same way as it can be obtained from the central system. Such systems can be designed so that they can be connected with a central system if the area develops and grows to the point where it will pay to extend the distribution system.

The water district can still be utilized as the vehicle for accomplishing this objective if it is viewed in the proper perspective. We see the water district as being similar to a cooperative in which all of the people in the area cooperate to find the proper solution to bringing adequate supplies of potable water to everyone. Probably there will be some part of the area where a central system is a preferable solution. The central system can then be financed through loans or insured loans under existing law or by partial grants under S. 1766. In the peripheral areas where the central systems cease to be economically feasible without compromising construction standards, and individual wells are the best answer, the water district can still provide the answer in one of several ways. In the first place, the water district can assume that part of the cost of construction of individual wells which S. 1766 authorizes in terms of grants. This will reduce the balance of the cost which the individual must assume. This may place the individual in a position where he can then obtain a loan or an insured loan under the provisions of sections 302, 303, or 304 of the present law. The water district could also loan the money to the individuals to pay the balance of the cost of constructing a proper individual system. The water district then could collect from the individual monthly payments in repayment of the loan for a period of time and repay the Farmers Home Administration, just as it collects monthly from those who utilize the central system for repayment of the loan obtained to build the central system.

I rather doubt that this suggestion was thoroughly understood by the Senate committee. There was a reference in the report to " * * * some suggestions that the authority should be expanded to provide grants for individual water systems * * * ." with the conclusion that "the bulk of the evidence supported the objectives * * * without material modification." As we have made it clear, we, too, support the objectives of this legislation but we again urge that the legislation does not provide a total answer to the total problem in its present form and urge that the Farmers Home Administration be given the necessary authority and flexibility to solve these serious problems in their entirety.

While we defer to the committee as how this solution can best be accomplished, we want to be as helpful as possible. Therefore, we have suggested relatively minor changes in language in the bill which we believe will give the Farmers Home Administration the authority and flexibility it needs. We suggest that the bill be amended by deleting from lines 17, 18, and 19 on page 2 the phrase "specific projects for works for the storage, treatment, purification, or distribution of water in rural areas", and inserting in lieu thereof the phrase, "water facilities". With this change the Secretary would be authorized to make grants in the amounts provided to finance water facilities. The term "facility" appears elsewhere in the act in several places and therefore this change would be entirely consistent with terminology elsewhere appearing. We then suggest that the term "facility" or the plural "facilities" be defined as including "any public or private water supply system, or any combination of such systems, together with any storage, treatment, purification, or distribution system in connection therewith". This picks up the detail which we just suggested be deleted but also includes the concept that the private or individual water supply system may be included in formulating the best solution to the problem.

Of course acceptance of this proposal depends upon the committee's understanding of what the individual water supply system can do. On this point I fear there may be some misunderstanding.

I have before me a brochure which has been very carefully prepared by the U.S. Department of Agriculture. It is identified as PA 653, was issued in 1965 and has on the cover the title "30,000 Communities Without Water." It is an excellent sales brochure, merchandising the benefits to be obtained from running water. Unfortunately it creates, or at least has created with some people, an entirely erroneous impression. The brochure has a picture on the cover of an old fashioned hand pump. Inside the front cover is pictured a hand pitcher and basin. The impression is created that this is the only alternative to a community water system. Throughout the booklet through pictures, excellent art work, and specific statements, the community water system is given credit for almost every type of improvement in rural living of which the imagination can conceive, from the fertility of the herd of milk cattle through the appearance of the farm house, to the quality of the schools and even the expression on the faces of the children. Such comments appear as "Just as hearts beat faster when electric

lights replaced smoky kerosene lamps, there is a strong emotional upswing when piped-in water replaces the old water bucket". One farmer from Kansas was quoted as saying that "Back in the 1930's we got electricity—that was a great jump forward. This year we got running water. Now we can begin to live."

We certainly agree that running water will improve living conditions anywhere. However, we must emphatically disagree with the suggestion that running water in a home can only be obtained from a central water system. The Kansas farmer could have obtained running water from an individual pressure system as soon as he had electricity. Why he waited nearly 20 years to "begin to live" is hard to say. This publication was designed around the authority that rural water districts now have. It is unfortunate that it needlessly and erroneously places the individual water system in such an unfavorable light.

We are certain that those responsible for administering the present law who have made loans and insured loans for the construction of modern individual water systems and are well aware of their benefits, do not subscribe to this erroneous impression and perhaps with the expansion of their authority they may see fit to produce an equally effective brochure extolling the virtues of the individual water system.

GENERAL COMMENTS

We have a few general comments on S. 1766. Paragraph (3) under section 306(a) of the act, under the provisions of the bill as now written, will relate only to grants. We suggest that the authority to make or to insure loans under paragraph (1) should also be governed by the provisions of paragraph (3) to the same extent that the authority to make grants under section 2 is so governed. Therefore we have proposed an amendment to delete the first line of paragraph (3), which is line 19 of page 3 of the bill, and have proposed substitute language to include a reference to paragraph (1).

The language of subparagraph (iii) of the same paragraph (3), seems to raise some questions. The first part refers to the necessity that facilities be consistent with water development plans and the second part of the same sentence requires that such facilities not be inconsistent with various plans. We suggest that there need not be a provision requiring consistency and prohibiting inconsistency with established plans. To accomplish this we have suggested an amendment deleting the first part of this sentence. We also suggest that the last sentence of this paragraph (3) should be deleted. It appears to give the Secretary specific authority to make grants during the period of time prior to completion of a comprehensive plan, yet there is nothing in the bill or elsewhere in the law to the best of our knowledge which prohibits the Secretary from making grants during such period. Therefore the sentence seems to be unnecessary.

CONCLUSION

The Water Systems Council endorses the basic concept that Federal funds be made available to help farmers and rural residents obtain adequate supplies of potable water where credit is not otherwise available. We believe the Farmers Home Administration should have authority and flexibility to seek a total solution to the total problem—a solution, based on the recommendation of each water district, which makes the best use of available funds. Central systems should be used where they are economically feasible and individual systems should be used where they offer the best solution, all under the jurisdiction and supervision of the water district. The construction of both community and individual facilities should be in accordance with minimum standards consistent with sound engineering principles and future needs of the community. We suggest that the Secretary should be specifically directed to formulate standards or guidelines of economic feasibility and construction standards, and should be encouraged to establish an advisory committee to assist in their formulation.

On behalf of the members of the Water Systems Council I would like to thank the committee for this opportunity to express our views, and for its consideration of the suggestions which we have made today. Our members hope they may have an opportunity in the future to work more closely with the administration to improve water supplies in rural America.

(Appendixes A, B, C, and D attached to the above statement may be found in the committee files.)

STATEMENT OF WILLIAM N. WALKER, REPRESENTING NATIONAL WATER WELL ASSOCIATION

Mr. WALKER. My name is William N. Walker. I am legal counsel to the National Water Well Association.

We also have a prepared statement. We also have some constructive suggestions which we would like an opportunity to discuss with the committee at some other time if the committee is planning on meeting at some other time to consider this matter.

We would like to enter our statement in any case.

(The statement of Mr. Walker follows:)

STATEMENT OF WILLIAM N. WALKER ON BEHALF OF NATIONAL WATER WELL ASSOCIATION

Mr. Chairman, gentlemen of the committee, my name is William N. Walker. I am an attorney with offices at 134 South LaSalle Street, Chicago, Ill. I appear today on behalf of the National Water Well Association, a national trade association representing the water well drilling industries. The association represents more than 12,000 individuals and companies in the United States engaged in the business of water well drilling and 350 companies engaged in the manufacture and supply of water well drilling equipment. In addition, our technical division includes more than 400 geologists, hydrologists, and other experts in ground water technology, located both in this country and abroad. Appearing with me today is Mr. Edward H. Martin, executive secretary of the association; Mr. Lloyd Brown, of Kansas City, Mo., president of the association; Mr. Richard H. Lauman, of Bethpage, N.Y., president-elect; and Mr. J. D. Kirkland, of Hereford, Tex., vice president.

Mr. Chairman, I should first like to express the appreciation of the National Water Well Association for this opportunity to express our views on this matter. As an industry we are vitally concerned with ground water and the uses to which it is put, and we view S. 1766 as a most important concern of the Congress.

Let me state initially that the National Water Well Association does not oppose S. 1766 and that we do not appear today for the purpose of dissuading the members of this subcommittee from its importance. Indeed, intimately involved with water resources as our industry is, we share the widespread concern, expressed by many Members of Congress and other knowledgeable persons, that this country may face a severe water crisis in the near future. Consequently, it is altogether consistent with our business interests that we support legislation seeking to devise means by which the ingredients of this crisis may be eliminated, or their effects minimized.

It is for this reason that we support the basic objective of S. 1766 which is to provide improved water supply facilities for rural residents who are unable to obtain such facilities for themselves. However, while we reaffirm our support for the objectives of the bill, we feel obliged to propose certain changes in the means which the bill would employ to achieve its goals.

First, we support the suggestions made by the representatives of the Water Systems Council that the Farmers Home Administration be directed to develop standards of economic feasibility and technical standards governing the construction of both private and community water supply systems in its administration of the Consolidated Farmers Home Administration Act of 1961. We feel that such standards are essential to insure an economic allocation of both our natural water resources and the Federal funds employed to develop those resources. Since the Water Systems Council has ably documented the reasons underlying this suggestion, we will not burden the record with further elaboration on the subject of standards. Similarly, the Water Systems Council has clearly stated the importance of providing for the appointment of an ad hoc advisory committee to assist in the promulgation of these standards, and further discussion of that proposal at this time is unnecessary. Instead, we will confine our remarks to a discussion of the basic approach of the bill, and in this connection we will make what we believe to be constructive suggestions designed to improve this approach.

In analyzing the bill, it is well to understand at the outset both the nature of the problem sought to be solved, and the methods proposed to effect the solution. Fundamentally, the problem with which S. 1766 is concerned has two facets. On the one hand, rural water use has more than doubled over the past 25 years, and steadily increasing demands can be anticipated in the years ahead as more and more rural families begin using water-consuming household appliances, and as more and more farmers take advantage of the automated water services which have become a standard part of modern farming techniques. On the other hand, many rural residents and farmers have either not obtained, or have been unable to obtain, the increased supplies of water necessary to a proper utilization of these accouterments of modern life. To the extent that this dearth of ample water supplies has occurred, economic growth has been impeded and development of economic resources retarded. Basically, then, the problem with which S. 1766 is concerned revolves about continually accelerating demands for water, coupled with insufficient water supply facilities, resulting in a diminished rate of economic progress; in short, a vicious circle which many rural areas have been unable to escape.

The way to end the cycle is to provide water in ample quantities to meet the increasing demand, and this is the objective of S. 1766. There are two methods by which this objective can be achieved. First, a large central source of supply can be developed and pipelines run across the countryside to deliver the water to consumers. This is the central water system which is familiar to city dwellers throughout the United States. A second method, however, not so well known, is the individual or private water system consisting of a water well, pump, storage tank, and distribution system designed as a self-contained unit operating on electricity, to provide water under pressure to individual farmers and rural homeowners.

Both of these methods are capable of contributing to a solution of the shortage of adequate water supply facilities existing in many parts of rural America; and, because the characteristics of the two systems differ greatly, they can be used to supplement one another, thereby providing a solution to the water problems of more residents in a particular area than either could provide alone.

But S. 1766 does not propose to employ both of these methods in achieving the objective all of us support; rather it proposes to employ only the use of central systems to the exclusion of private systems. We believe that this approach is unwise, that it will result in a misallocation both of our water resources and of Federal funds, and that it will be unable effectively to achieve the desired goal.

This reliance upon the use of central systems is not apparent from the language of the bill but appears only as reference is made to the history of FHA's administration of the Consolidated Farmers Home Administration Act of 1961. The proposed section 306(a)(1) of the bill speaks in terms of loans to associations "to provide for * * * the conservation, development, use, and control of water * * *" and the proposed section 306(a)(2) speaks in terms of grants to associations "to finance specific projects for works for the storage, treatment, purification, or distribution of water * * *." Taken alone, the language of both of these sections would appear sufficiently broad to embrace the making of loans, insured loans, or grants to associations for the development of private systems. But we are informed of no instance in which the FHA, operating under the similar language of section 306(a) of the 1961 act, made or insured any loan to an association for the purpose of developing private water systems, even though in given instances such systems might have been economically more feasible and have provided satisfactory solutions to given water problems. We have no reason to believe that the new language proposed in section 306(a)(2) of the bill will be administered differently.

This restricted approach to the problem is sought to be justified by reason of the fact that sections 302, 303, and 304 of the 1961 act authorize the making or insurance of loans to individuals for, among other things, the construction of private water systems. It is argued that anyone who is unable to obtain financing elsewhere for such systems can obtain the needed credit under these provisions. But the authority contained in sections 302 to 304 is demonstrably inadequate for at least three reasons. First, the loan and loan insurance authority contained in these sections is restricted to farmowners and farm tenants and does not extend to nonfarm rural residents. Second, the partial grant authority proposed by the

bill does not extend to persons eligible for loans under these sections. Lastly, these sections are inadequate because they depend for their success upon individual motivation.

I should like to elaborate for a moment on the last statement. Generally speaking, persons residing in rural areas who suffer from inadequate water supplies, are in their predicament because they are relying upon springs, cisterns or shallow dug wells as their water. There are exceptions, of course, persons whose property is not underlain by adequate ground water; but generally persons lacking adequate water facilities have not sought to obtain relief from their chronic water problems, but have continued to rely upon their inadequate and outmoded water source. To say this, of course, is merely to say these people are like the rest of us and put important matters off far too long. Yet this inertia is one of the major reasons for the existence of water problems in rural areas. In most cases the water is there, hidden beneath the ground in ample quantities to serve the needs of the rural resident. Moreover, the means of obtaining this water are readily available in the form of modern private systems, and financing is available on acceptable terms to enable nearly all rural families to construct such systems. Why, then, does a water problem exist? We believe the answer lies in the inertia of the rural residents and the ineffective merchandising of the water systems industries. The fact is that many persons, presently suffering from inadequate water supplies, have simply failed to take advantage of the solution offered by private water systems, and our industry must take a major share of the blame for this condition. We believe, however, that a program to correct this problem which relies upon individual initiative to provide the necessary water facilities will not be able to overcome this inertia, and to the extent it fails to do so, will be ineffective. It is for this reason that we contend that the loan and insured loan authority of sections 302 to 304 of the 1961 act should not be relied upon to provide individual water facilities; unless some kind of stimulus is provided to counteract people's natural inertia, they will not take advantage of the opportunities provided by the act in sufficient numbers to produce any substantial reduction in the overall water supply dilemma.

The solution employed by the association loan and insured loan programs of the 1961 act and expanded by the association grant program proposed by S. 1766 is able to overcome the inertia problem by employing the stimulus of group action. Those persons in a community who want a central water system go out promoting the idea among their neighbors, urging the slowpokes to get on the bandwagon and thereby helping such persons to take advantage of opportunities which otherwise would pass them by.

The idea is a good one, and it works. The FHA has been able to make available water service through water associations to thousands of persons who may not otherwise have been able to get it.

But this leads us back to our original point. Why does FHA restrict its activities in this regard to projects employing central water systems? Why does it not apply the same effective methods to projects employing private systems? We contend that this one-legged approach to a complex problem is unrealistic and that it is a hindrance to development of a viable solution to the problem. Accordingly, we suggest that FHA be directed to adopt a more flexible approach utilizing the contributions of private systems as well as central systems in devising programs aimed at solving water problems in rural areas.

Our suggestion may best be explained by using an example. Assume, for example, that in rural county X there is a township Y which makes an application for FHA credit assistance. In analyzing this request, the FHA administrators may find that around the core of the town, there is a sufficient concentration of population to justify the construction of a central water system. Assuming that such a system is properly engineered and constructed, it should provide a solution to the water problems of the persons located within its boundaries. But what about the homeowners and farmers who live on the periphery of the system or the ranchers who live in outlying areas? They have a water problem, too, and the central system is doing them no good whatsoever. Apparently, the attitude of FHA is to do nothing about them; so long as the central system has been constructed FHA has done its job and that's the end of it.

Mr. Chairman, we feel this attitude is wrong. We feel that the water association concept is broad enough to provide for these people by permitting, within the association framework, the financing of private systems to supply their water

needs. The mechanics of this operation would be as follows: First, all persons living within our hypothetical township X, who feel they have inadequate water supplies, would be encouraged to sign up as members of the association. An engineering survey would then be made to determine the area which it is both economically and technically feasible to serve by use of a central system, and the plans would be drawn up for such a system. The remainder—those persons who cannot practicably be served by a central system—would be declared eligible for private systems. The association would then let one or more contracts for the construction of the wells for these private systems, securing a favorable price for a volume order, and purchase the necessary well casing material, pumps, storage tanks, and pipe, in volume at similarly favorable rates. The property owner would be obligated to make repayment to the association over a 40-year period in the same way as the person who has tapped onto the central system pays his monthly water bill. The private system would be owned by the association just as the central system is, and the user's monthly fee to the association would have to include a sum sufficient to cover periodic maintenance and repair.

By utilizing this basic concept, the water needs of rural residents in outlying areas would be provided for, the private systems and their components, purchased in volumes would be obtained at reduced cost, and the individual property owners would be enabled to pay for their system over the life of the association (presumably 40 years), thereby reducing their monthly costs. And there is a further benefit as well: by providing an alternative to the central system as a solution to rural water problems, the necessity of straining the facilities of central systems to their maximum is eliminated, and such systems can be designed to serve only areas of concentrated population, thereby reducing their overall costs and increasing the efficiency of their operation.

Other situations can be envisioned where the necessity of constructing central water systems will be eliminated altogether by employing private systems to meet specific water needs.

What we are suggesting, Mr. Chairman, is use of these two alternative methods of increasing water supply in combination with one another. Where economics or other factors dictate, a central system alone may be used, in other circumstances a central system supplemented by private systems may be used, or in still different circumstances, private systems alone may be used. In short, we suggest tailoring the solution to fit the problem—all within the water association concept.

The presentation made by the Water Systems Council has suggested language to be added to S. 1766 to effect this result. We adopt that language as our own and urge its acceptance by the subcommittee. It is our belief that an approach such as we have suggested will extend the authority of the FHA to perform better the tasks with which it has been charged and will enable it to deal more flexibly with the complexities of rural water problems than it presently is able to do.

Thank you.

Mr. POAGE. My thought was I know there are some people here—you may be one of them—I thought some of these people here objected to this approach. I know everybody likes to say he is in favor of the bill and I am glad to have you say so, but those who find objections to the bill—gentlemen, can we come back here this afternoon, say at 2:30?

At 2:30 we will try to come back here and hear the objections to the bill. We don't want to have anyone else tell us it is a "good" bill and promotes the "welfare of rural America."

If someone has some objections to the bill, we will reconvene at 2:30 this afternoon and listen to those who have objections.

The committee will stand in recess until 2:30.

(Whereupon, at 11:40 a.m., the subcommittee was recessed to reconvene at 2:30 p.m., the same day.)

AFTERNOON SESSION

Mr. POAGE. The committee will please come to order.

We want to welcome Congressman Harvey back to our midst. He has been incapacitated with a broken leg for some weeks. We are glad to have him back.

Mr. HARVEY. Thank you, Mr. Chairman. I appreciate being back. One of the great consolations I had while I had to be hospitalized was that I just knew this Government wasn't going to fall to pieces before I got back.

Thank you, Mr. Chairman.

Mr. POAGE. This afternoon we are going to try to hear those who have different ideas as to how we should approach this problem rather than having someone tell us how much this will mean to farmers.

I know we will be called to the floor at almost any time. We are going to ask everybody to be as brief as you can. That doesn't mean we don't want to hear from you or we would not have had the meeting. We hope no one will read us any 12-page statements. We will put the statements in the record, regardless of what you have written.

I have no witness list of any kind and I don't know who the gentlemen are who are here. Some of you were here this morning and wanted to be heard. If you can make some arrangement among yourselves, we will be glad to hear from you.

We will insert a statement at this point in the record from Harry L. Graham of the National Grange.

(The statement of Mr. Graham follows:)

STATEMENT OF HARRY L. GRAHAM, LEGISLATIVE REPRESENTATIVE OF THE
NATIONAL GRANGE

Mr. Chairman and members of the committee, I am Harry L. Graham, legislative representative of the National Grange. The increasingly critical problem facing America is the supply of pure water in adequate amounts of acceptable standards to meet the unbelievably exhausting demands of the American people. It is not a problem which is confined to urban areas. It is indeed as critical in some rural areas as in the cities and in some instances more so.

We will not take the time in this hearing to detail what these demands are now and are likely to be in the future. This evidence is being developed in other communities and long-range studies are presently being made for the solution of the water needs of our areas where population is most highly concentrated. We shall be happy to discuss this at greater length and detail in a committee which is addressing itself to this larger problem.

What we do want to point out today is that the problems of water supply begin in rural areas, at the headwaters of the streams, in small and large watershed projects and in many of the small towns and hamlets as well as individual dwellings across the country.

In many of these rural areas, the increasing crowding of residences together without adequate planning for either water or sewage disposal has created health problems in terms of contamination of available water supplies for those who live in these areas and contamination of streams and underground water sources for those who live some distances away.

I have stated before this committee in previous appearances that I have had more than a casual amount of experience as a professional appraiser. A great deal of this experience had to do with the appraising of whole townships and counties for tax purposes. I can tell you from experiences that there is not a small town or hamlet that I have ever inspected which has the kind of water which we would want to drink or to have our children drink if they depend upon shallow wells and septic tanks for their supply and disposal system. Some of the newer developments, especially those that qualify under FHA specifications, must so design their developments that they have adequate drain fields in their septic tank systems and they must go deep enough that an impervious layer of soil is between the septic tanks and the water which is used for household purposes.

However, where there are only a few of these developments, relatively speaking, in the Nation, there are literally thousands of small towns and hamlets which are already in existence with available lot space much too small for an adequate drainage system with relatively shallow wells drawing their water from underneath these drain fields, and using water that is contaminated with chloroform and heavily polluted with the residue of hard detergents that have been, in recent years, so much of our way of life. Soapy water, foamy water, running from household taps in these rural towns is more common than most of us would care to admit.

We have heard a great deal about the pollution of streams from using chemical pesticides in our rural areas. I would venture the opinion that more streams have been polluted by inadequate drainage systems for the disposal of domestic and industrial sewage than have been contaminated by the use of chemical pesticides.

These little streams which become creeks and consolidate into rivers which flow into our lakes and become a part of the total water supply of our country must be cleaned up and kept clean if the water downstream is to be usable for our heavy residential and commercial demands. In order to accomplish this, it is necessary that the water supply be acquired in an area that is not contaminated or at a depth that precludes a surface contamination. In order to keep this water supply pure and to protect the health of the residents in the area and downstream residents, it is necessary that adequate sewage disposal facilities be made available for the people of these areas.

Our urban areas have long had the services of the Federal Government available for their planning of water systems, and grants and long-term credits available for the construction of these same systems.

The Farmers Home Administration engineers have been successful in developing relatively simple and inexpensive water systems for rural areas. Their services should be made increasingly available for the areas that need water systems such as we have indicated. These rural areas also need to be given the privilege of using Federal grants for part of the cost of the construction of the systems. If such grants are in the interest of the general welfare for urban areas, they are just as much in the interest of the general welfare for rural citizenry.

There is also the necessity for making available adequate capital at a reasonable rate for these small communities, even as this kind of capital has been made available for our urban centers in a number of other pieces of legislation.

In our judgment, S. 1766, introduced by the distinguished senior Senator from Vermont, one of the more distinguished agricultural leaders of the Nation, simply makes the services of the Federal Government previously available to our urban areas now available to rural citizens as well.

The extremely large percentage of his colleagues in the Senate who were cosponsors of this legislation indicates both the high esteem they have for Senator Aiken and their approval of the principles set forth in this legislation.

The National Grange wishes to commend Senator Aiken for introducing this legislation and urges this committee to give it the attention and support which is necessary for prompt enactment of this proposal into legislation.

Mr. POAGE. I will now call Mr. Glenn Van Brammer of the office of Congressman Resnick.

You asked permission this morning to insert a statement from Mr. Resnick and you have permission to submit any statement you care to make.

STATEMENT OF GLENN VAN BRAMMER OF THE OFFICE OF HON. JOSEPH Y. RESNICK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. VAN BRAMMER. These are the bills we will be discussing and which I will explain in a moment.

As I say, this will be very brief.

I first would like to thank you for the opportunity to testify in behalf of Congressman Resnick on Senate bill 1766.

Our deep concern for this type of legislation can best be phrased in respect to the drought in our district that we are now undergoing in upstate New York. This is the fourth consecutive year of drought.

One of our major cities, Poughkeepsie, and a score of the smaller municipalities, face a very real possibility of not being able to supply their inhabitants with water in the very near future unless new facilities are constructed.

I might point out now that several of our communities have already been forced to begin to haul water in two-quarter containers to hundreds of families. The problems faced by the rural inhabitants are even more precarious. The water table in several of our five counties has dropped as much as 20 feet.

An area in a vast majority of homes is supplied with water on an individual facility or well basis. I am sure you can realize this is causing severe financial hardship, to say nothing of the daily discomfort and inconvenience.

Many of our district's cash crops are suffering for lack of water and no industry in our district is realistically undertaking any sizable expansion program with a threatened lack of water in the very near future.

From what I can understand, this prolonged drought in the Northeast has been caused by a major shift in wind and weather patterns and no one is being able to predict when this pattern is going to be returned to normal.

Now, on June 24, Congressman Resnick introduced a bill, 9459, to authorize the Secretary of Agriculture to conduct programs to reduce the impact of drought on rural residents, agriculture and livestock enterprises, and small municipalities. We feel that the incorporation of some of the provisions of this bill into the framework of S. 1766, as amended, would do much to alleviate the distress in drought-stricken areas.

Yesterday Congressman Resnick introduced H.R. 10145, a revision of the earlier bill, which we believe would fit into the language and principles of Senator Aiken's bill.

You have before you a corrected version of 9459 with pen corrections that are the only differences to the new bill.

These additional provisions would give specific and wider authority to the Secretary of Agriculture in drought areas, would make aid available not only to communities and nonprofit groups and corporations, but also to individuals and would in the several States which do not allow Federal loans or grants to nonprofit organizations and unincorporated communities in order to finance central water districts, authorize the Secretary to issue charters for this purpose and would, on a cost-sharing basis, give financial assistance to communities forced to haul water to meet their needs.

In making provisions for long-term, low-interest loans to individuals, it would be taking into account those individuals living in areas too isolated to be hooked up to central water districts. Indeed, due to livestock and irrigation needs, and these individuals may have a more acute need for larger amounts of water than those people who can be tied to central districts.

By financially assisting communities who are forced to haul water, we will be freeing local revenue to study, develop, and proceed with the establishment of much-needed central water districts.

Now, in the last proposed substantive amendment to S. 1766 we would, by providing the authority of the Secretary of Agriculture to issue charters to public authorities or corporations so that they could receive Federal aid, we feel it would be taking a great step forward in the battle against the effects of drought.

Now, I must point out that at this time we did not add this section without a great deal of thought, especially concerning what we feel is each State's right to charter its own authority for this purpose.

Congressman Resnick has stated many times that each level of government must be given the opportunity to solve its own problems before the next level has the obligation to act. We feel that in certain situations such as ours in New York our Governor has not accepted the responsibility of meeting the critical needs of the area for new or additional water supplies.

As I pointed out earlier, we are primarily considered with emergency drought legislation and to that end we have added a provision in this bill that such an authority—that is, authority created by the Secretary of Agriculture in the Federal charter—and I quote from the bill:

May be created only with an identifiable existing public body as the beneficiary or ultimate transferee of the facilities developed by such authorities.

In conclusion, I would like to respectfully ask that this distinguished committee explore the possibility of amending S. 1766 so as to include the provisions set forth in H.R. 10145, which is what you have before you.

Thank you, Mr. Chairman.

Mr. POAGE. Thank you very much.

Are there any questions?

If not, we are very much obliged to you.

Next we will recognize Mr. Snell.

**STATEMENT OF THADDEUS S. SNELL (Resumed), REPRESENTING
WATER SYSTEMS COUNCIL; ACCOMPANIED BY DURWARD
HUMES, EXECUTIVE SECRETARY, WATER SYSTEMS COUNCIL;
AND JULES THOMAS, EXECUTIVE SECRETARY, AMERICAN INSTI-
TUTE OF SUPPLY ASSOCIATIONS**

Mr. SNELL. With me today is Mr. Durward Humes, executive secretary of the Water Systems Council, and on my left Mr. Jules Thomas, who is the executive secretary of the American Institute of Supply Associations.

We are appearing today on behalf of the Water Systems Council and related organizations whose members manufacture farm and domestic pumps and water systems and their component parts.

We want to express our appreciation for your giving us this opportunity, particularly in view of the unforeseen events this morning, for giving us a chance this afternoon to appear.

We have prepared a statement which we boiled down to a mere 23 pages with a number of appendixes attached and in view of the committee's courtesy in allowing us to appear this afternoon, we would like to have the statement filed and we will just make a few summary remarks highlighting the principal points we have to make.

At the outset, I would like to make it quite clear that the Water System Council supports the barebone outline of S. 1766. I would also like to make it clear that the Water Systems Council recognizes that the Farmers Home Administration has been doing a fine job in administering the consolidated Farmers Home Administration Act of 1961.

At the same time, we feel we should make some constructive suggestions which we feel will improve not only the administration of the act, but the framework within which this objective is being sought to be accomplished.

There is no difference of opinion that there are areas in America, rural America, where adequate supplies of water are not available; nor is there any difference of opinion that Federal assistance should be available to solve this problem. Nor, as I have indicated, that the Farmers Home Administration is a fine vehicle and agency of the Government to carry out whatever law is finally enacted.

We do suggest that S. 1766, despite the fact that it makes some progress toward a final and total solution, is not in itself a total solution to this problem.

I think it is fair to say that the program of rural water districts about which we heard testimony this morning is a new program which has many problems. I believe it is fair to say that the Farmers Home Administration does not have all of the answers to the administration of this program.

In the testimony before the Senate and in subsequent answers to questions which were asked the Farmers Home Administration, it became quite clear that they do not have standards of construction which are applied universally throughout the country.

It also became quite apparent——

Mr. POAGE. May I interrupt you right there? Do you think they ought to have standards of construction to be applied universally across the country?

Mr. SNELL. Yes, sir; we feel there should be minimum standards of construction which any system which is approved must meet.

We feel very strongly that this is an objective toward which the administration should work. This is possible. There are standards available today. There are criteria which can be developed and worked into a standard which can be applied throughout the country.

We also feel the same way about standards of, or guidelines of economic feasibility. We heard this morning about feasibility studies which are being made, but the facts of the matter are that there are no guidelines for interpreting the studies once they have been made.

Now, the Farmers Home Administration made the point before the Senate committee that they are decentralized in the administration of this act. This is fine, but decentralization means that people out in the field are going to be making decisions, and we feel very strongly that those decisions should be made in accordance with standards which the Department sets up, both as to construction and as to the interpretation of the economic feasibility studies which have been made.

Therefore, we recommended in our testimony before the Senate committee both that construction standards and feasibility guidelines or standards be established, and we understand from reading the report of the Senate committee that the Farmers Home Administration agreed to develop these standards.

The committee indicated in the report that such assurances had been received. We heard comment this morning along the same line, but we think we should go one step further.

Standards are a very complicated subject and, as was brought out this morning, there is a vast amount of information which is available in the industry which may not be readily available to the Farmers Home Administration in their own files. We would certainly like, on behalf of the Water Systems Council and related organizations to offer whatever assistance and expertise and files and assistance we can give to the Farmers Home Administration in the development of these standards.

We would strongly urge to this committee that they recommend at least to the Farmers Home Administration that an advisory committee be established where the various views of experts in the field can be brought together around the table with the long-range objective of formulating and laying down adequate standards and guidelines.

We do not make this proposal from an obstructionist viewpoint. In other words, we are not suggesting an advisory committee in an effort to delay progress, and the emergency matters and the program as a whole should go forward. At the same time, we feel this is no excuse or no reason to avoid the formulation, on a long-term, long-range basis, of adequate standards of construction and of economic feasibility.

We do recommend to the committee they give consideration to suggesting to the Farmers Home Administration the establishment of advisory committees.

If legislation is necessary in this field, then we suggest it be incorporated in S. 1766.

Now, the final point on which we would like to offer a suggestion has to do with the role of the individual or private water system in solving the problem that we all recognize exists.

I believe, Mr. Chairman, that this comment of ours might best be highlighted by reference to a recent publication of the Department of Agriculture. I just happen to have four copies here which I might offer to those members of the committee who are present to look at.

This is a very fine piece of literature. It is entitled "U.S. Department of Agriculture, P.A. 653" and has on it, on the front cover, the words "30,000 Communities Without Water."

These apparently are the 30,000 communities that the Farmers Home Administration has been referring to in his testimony before the Senate committee and this committee.

On the front cover of this brochure is a picture of an old-fashioned hand pump with one little drop of water coming out of it. Inside the front cover I would like to point out is a picture of a pitcher and a basin. In reading this brochure it is quite apparent that the Farmers Home Administration suggests that the problem is symbolized by that hand pump, pitcher, and washbasin, and that rural America today

is faced with the problem of getting water by this means or by an alternative on the back cover, a community water system.

They point out with beautiful art work, very illustrative photographs, and well written copy the problems and the opportunities which the Farmers Home Administration offers to solve the problems. I call attention to just a couple of statements.

On page 2, the middle of the page, under the heading "Running Water Systems Generate Rural Areas' Development," is this sentence:

Just as hearts beat faster when the electric light replaced smoky kerosene lamps, there is a strong emotional upswing when piped-in water replaces the old water bucket.

Turning back one page—

Mr. POAGE. I do not want to interrupt, but we are all very familiar with the old pumps and all that. The bells will ring again. Let us talk about the bill and what you think ought to be done about it. We will take judicial knowledge of the fact of the deplorable conditions on the farm.

Mr. SNELL. That is not my point, Mr. Chairman. I did not quite get to it. My point is that there are problems on farms. We do not criticize the brochure, but we criticize one impression, and that is that the problem can only be solved by a community system. This simply is not true. The modern individual water system which American industry and free enterprise have developed today can give the American farmer, through an individual system, the same benefits, in fact, in many instances greater benefits than he can get from a central system.

I would like Mr. Durward Humes in a moment to say what the private water system can do.

I would like to conclude my statement by saying that we strongly urge that this committee consider that part of the best possible answer to this problem is effectively to utilize the individual water system, together with the central system that is so well merchandised here. We do not suggest that the central system is not a good answer in some circumstances. We suggest only that the individual water system is the best answer under some circumstances. We suggest that S. 1766 does give Farmers Home Administration the necessary authority or the necessary flexibility to find the best answer to the problem most effectively to utilize the Federal funds which this committee would like to make available. We urge the committee to find a way to increase the authority and to increase the flexibility so the Farmers Home Administration can find the proper answers and can utilize the services of the individual water system where it can best be used.

Mr. Chairman, that really is our story in a nutshell. I can only add that we would like to offer the full services of our industry in any way in which we can be useful in bringing water supplies to rural America.

Again, I thank the committee for its consideration today, and I would like to ask if the committee could hear a word or two from Mr. Durward Humes about the individual water system, because I think there is an impression conveyed that the individual water system, the private well, is still the hand pump with a drop coming out. This is not the case. Thank you, Mr. Chairman.

Mr. POAGE. We shall be glad to hear Mr. Humes, but I wonder if it would not be helpful if you now tell us just what you want us to do.

I assume that the majority of the committee feel that we want to use individual water systems, we want to use collective water systems, we want to use all of the facilities available to provide water whenever we can. Just what is it that you want us to do?

It seems to me we have to be a little more frank than we were this morning. What we propose to do by this bill, whether you like it or whether you do not like it, is to have the Federal Government subsidize rural water systems. That is the purpose of this bill. We have a perfectly good system of lending money to people who want to borrow the money and pay for their own system. It is working, and working really well. But it is true that we have gone so far toward giving these facilities to the urban people that justice seems to require that we extend the same privilege to rural people which has been extended to urban people.

Regardless of the attitude of the Department, I think the committee knows that this is not a question of simply extending grants to a few poverty-stricken areas. As far as I am concerned, I do not want a bill to go out of here on any such basis as that. I did not vote for the area redevelopment bill. I do not intend to vote for any of these bills which simply say you can do these things in Mr. Teague's district but cannot do them in Mr. Dole's, or in my district but not in Mr. Harvey's district. I want legislation which will make aid available wherever it is needed and on the same terms all over the United States.

What do you think we ought to do? This becomes a problem of how you pay the subsidy to the individual. Is that not the question?

Mr. SNELL. I believe it is, Mr. Chairman, because the present law permits loans to both the individual and the water district, so the individual farmer who wants an individual well is now covered in that respect in the present legislation. S. 1766 deals with grants and additional money.

Mr. POAGE. And also sewer systems, which we have not discussed.

Mr. SNELL. That is another question. We certainly feel there ought to be Federal money to put in sewer systems because a great deal of the pollution today is the fault of sewer systems which are inadequate, and not the fault of individual wells. The great natural resource in this country, ground water, eventually will have to be utilized through private wells to a greater extent.

The answer to your question I believe is this: We think that where the individual cannot afford to borrow the money to improve his individual system under existing authority, he should also be able to borrow up to 50 percent—let us say that is the formula—of the cost of improving his system. As we visualize this, this is another form of farmers cooperative. In other words, this is a "people proposition," if I may use that phrase. In an area where some people perhaps have adequate water systems and some people do not, part of the area may be best served by a central system. Maybe we have a town of 2,000. I grew up in a town like that. It is surrounded by country area, with people whose water systems may be adequate or may not be adequate or some of them may be adequate and some may not. The water district or the association, as the law calls it under the present law, as we visualize it can be the medium or the vehicle for channeling Federal funds into a solution, whatever that solution may be. We visualize this water district or association or cooperative type of organization

looking at this situation and then recommending to Farmers Home Administration that in this area we develop or put in a new central water system, and in the peripheral areas we make available Federal funds through the water district to the extent of 50 percent of the cost of installing or improving the individual water system that is needed and that is the most economically feasible answer to the problem.

Mr. POAGE. When you say Federal funds, you mean grants?

Mr. SNELL. Yes, sir; I mean grants. The remainder can then be borrowed under existing authority, sections 302, 303, and 304 of the present act, either directly from the Federal Government or through an insured loan.

If the cost is reduced 50 percent because 50 percent is paid by grant, it very well then may be brought within the economic ability of the individual to pay for it.

There is another aspect of this that we think is rather important, and that is the psychological aspect. I point to just one little statement on page 1 of this brochure, quoting a Kansas farmer, who said back in 1930, "We have electricity. That was the great jump forward. This year we have running water. Now we can begin to live." That is a very curious statement, because from the day that that man had electricity available on his farm he had the ability to put in a modern pressurized water system with running water in his house. Why he waited 30 years to begin to live is a mystery. The answer is, it is psychological, Mr. Chairman.

Mr. POAGE. I never lived in Kansas, but I have lived in the Southwest, and I know some of the problems there. There are vast areas where you cannot get any usable ground water. I understand there is water under the earth almost anywhere, but I live in the country myself where there is one good well in the county. Neither man nor beast could drink the water from the wells.

Mr. SNELL. This is possible in some areas.

Mr. POAGE. There are many areas in Kansas that are in that shape, are there not?

Mr. SNELL. This may be why he did not begin to live for 30 years. Also, I suspect the answer in many areas may be that there are ample supplies of water, but there is a psychological problem. The old spring or the old cistern may be the best thing until people get together. When they get together in a cooperative or in an association and start thinking about improving their water supply by the best means, then perhaps they can overcome the psychological hurdle that I suspect is one of the real drawbacks to improving the water supplies in the 30,000 communities that the FHA mentioned.

Mr. POAGE. You must be familiar with the Plains and you know that above the Cap Rock on the Plains you get good water.

Mr. SNELL. Yes, sir.

Mr. POAGE. That is the only way they are able to settle that country, because there is no permanent surface water. There are no streams. There are lakes, but they dry up by the first of June. There is good ground water on the Plains, but the minute you drop off that Cap Rock you probably will get no water at all, or nothing but gyp water. And the wells get saltier the further east you go. For a vast area for several hundred miles that is true. That is true clear down almost to my country. There is a vast area in which wells are, to say the least, utterly

undependable and in a whole lot of the area you can depend on it that they will be no good.

I think we ought not to get too enthusiastic about ground water, because ground water is fine when you have it and it is usable, but the character of ground water of much of the United States is simply not fit to use, so people have to use surface water.

Mr. SNELL. That is true, Mr. Chairman, except I think it is a rather astounding fact that of the water supply available in this country, only 2 percent is surface water and 98 percent of the available water in this country is ground water. This is an astounding figure. Much of America is conditioned to thinking about surface water, surface water supplies, and surface water pollution. Actually, the ground water resources of this country as a whole present a tremendous undeveloped opportunity. Some areas are not fortunate, that is true. In some areas a central system is the only answer if you are to have running water in the house. But this is not true in many areas of the country. That is why we do not believe that the present inflexibility of S. 1766 is the total answer. It is all right in part. It does not go far enough.

I would like to point out a specific solution that we are suggesting in my statement, on page 2 of appendix D, at the back of the statement. We have retyped the Senate version as it was passed, with some suggested amendments. We, of course, defer to the committee's experience in this regard, but we want to be as helpful as we can and make a specific suggestion to amend paragraph (2) of section 1 of the bill by inserting the words "water facilities" for the phrase "specific projects for the storage, treatment, purification, or distribution of water in rural areas."

That simply says that the Secretary is authorized to make grants up to a certain amount to finance water facilities.

Then we offer on page 5 of that appendix, a definition of the word "facility" to include "any public or private water supply system, or any combination of such systems, together with any storage, treatment, purification, or distribution system in connection therewith."

We suggest that that much right there will then give the water district the flexibility to decide how it can best solve its own problem in the economics of its local situation, within the geology of the local situation, and within the politics of the local area. The Farmers Home Administration, we believe, then will have the authority as well as the flexibility to use this grant money in whatever way will most effectively accomplish the purpose. Where this is an individual system, we think with some study probably the Farmers Home Administration will agree with me that their funds will go further if they do not have to penalize the people who are in a relatively concentrated area by paying the very high cost of distribution of water to outlying areas where the problem can be solved in another way just as well.

Also, they will not be faced with that which they have been faced with today, which is compromising construction standards in order to accomplish economic feasibility.

Thank you, Mr. Chairman.

Mr. POAGE. Thank you.

Mr. CALLAN. I have just one question, Mr. Chairman.

If your amendment were incorporated in the bill, would you confine this just to areas that have water districts?

Mr. SNELL. When we made these suggestions, our thought was that the grant money would be channeled through one or two districts. The law permits individuals to get loans and to obtain insured loans for the improvement of an individual system.

Mr. CALLAN. The very thing the chairman is talking about. I do not think there would be any community in Nebraska which would qualify under this proposition because we happen to be in an area where there is plenty of ground water. I do not think there is a water district in the State. Some of the people who live out around the area do not have wells. You would set up an area just because they had a water district, and people living outside that area would qualify for a grant.

Mr. SNELL. Yes.

Mr. CALLAN. Whereas the people in my district have water and there is no water district, so they would not qualify.

Mr. SNELL. I believe a water district can be set up almost anywhere. I think it was brought out this morning through the examination of the FHA witnesses that this does not need to include a city at all. In fact, there are many water districts that are entirely rural in nature, and the only participants are people who are actually farmers or people living in a farm area. Actually, there need be no central system to a water district, as we see it.

Mr. CALLAN. There must be a water district in order to qualify for funds.

Mr. POAGE. Would you not set up a water district in order to qualify for the grants?

Mr. CALLAN. I surely would. This is what we would have to do to qualify, that is right.

Mr. POAGE. If it is desirable to confine these grants to public or quasi-public agencies rather than making grants to individuals, there is some merit in that.

Mr. SNELL. We would not have any objection if a way can be found to make grants directly to individuals.

Mr. POAGE. You run into a great many problems in making grants directly to individuals which would be avoided if they were made only to the quasi-public agencies.

Mr. CALLAN. I agree, Mr. Chairman. I wonder if there is any possibility, if we are to do this, of making the grant to the same individual who qualifies for an FHA loan. Apparently he would not have the money to go ahead with the building, so if he were qualified for an FHA loan, he might also be qualified for a grant.

Mr. POAGE. That gets us back to what we were talking about this morning. If you put it on the basis of distressed areas and distressed individuals, you have an entirely different thing from what I would envision as a program that we would extend to rural areas—the same kind of program that we now have for urban areas—which is not based upon the individual resources of the individual recipient, but is available as a matter of right. The same kind of program we have in the Soil Conservation Service which I think works well. We ought to provide the same sort of thing for human water.

At the present time if you want a stock pond, the U.S. Government, within certain limitations, will pay one-half the cost. It will not pay actually half of all the costs, but half of certain of the costs. Whether you are the biggest corporation in the United States or the smallest landowner in the United States, that privilege is extended to you.

It seems to me we can apply the same type of program to domestic water supply that we can to stock water supply. When you do that, you eliminate all this question about trying to find out whether the man can borrow the money or whether his grandfather left him an estate or whether his wife is going to come into an inheritance, and things of that kind.

Mr. CALLAN. I am trying to figure how Nebraska might qualify in this program, Mr. Chairman.

Mr. POAGE. It seems to me that people in Nebraska or any other State, no matter how scattered your population or how available your ground water, could organize themselves into units or water districts—water associations, they are called under the law—and certainly if there is a subsidy, you will find people organizing in those associations right away.

Mr. STUBBLEFIELD. They already have under the Community Facilities Administration.

Mr. POAGE. That is right. You would have to organize water associations before you would be eligible. Whether that should be required or whether you just make grants to the individual as such is the point.

I think there is a great deal to be said in favor of confining the grant to the associations, because at least you would have somebody else to blame, rather than the Department.

Mr. STUBBLEFIELD. If you make the grants to individuals, \$25 million would not go very far.

Mr. POAGE. It is not going very far anyhow.

Mr. TEAGUE. Have you any estimate, Mr. Snell, of what the additional cost would be or could be if the program were expanded as you have recommended?

Mr. SNELL. I can answer that question only this way: I do not have any estimate as to what the cost might be, but I am convinced that whatever money is appropriated will go further and will accomplish greater good for more people if it is given the flexibility that we suggest.

In appendix A to my statement I have included the cost per family of the water districts that have been built in the first 3 months of this year. It is interesting to note that of the 104 districts, 66 had a cost per family which was in excess of the cost of putting in an individual well to a depth of 150 feet with a submersible pump completely with a pressure system and running water in the house. Of the 104, 66 were in excess of that cost. In many instances the cost was over \$2,000 per home, per connection.

Mr. TEAGUE. If my idea is correct, I have some idea that inasmuch as you do represent the water systems council, you are here in the interest of your clients and with the hope that this program might be expanded, not only made more flexible, and that your clients might sell more water systems than you would without this flexibility.

Mr. SNELL. Of course, we do hope, naturally, that we will participate in accomplishing the result. Our economic benefit is, of course, the motivation. We are motivated to accomplish the best result, we think. We believe the Farmers Home Administration would be in a better position than we are to answer the question of how much money it will take to solve the problem of 30,000 communities. We do not have those figures available.

The thing we are urging this committee to consider is, whatever money the committee sees fit to appropriate, we would like to see it used in the most efficient way to bring the best results to the most people. We leave it to the committee and to the Farmers Home Administration to decide how much money should be made available for this purpose.

I agree it is probable that the money included in S. 1766 is not going to do the job for rural America as a whole. How much more is needed, I simply do not know.

Mr. POAGE. If there are no further questions, we shall hear you, Mr. Humes.

STATEMENT OF DURWARD HUMES, EXECUTIVE SECRETARY, WATER SYSTEMS COUNCIL, CHICAGO, ILL.

Mr. HUMES. My name is Durward Humes. I am executive secretary of the Water Systems Council.

Since Mr. Snell has covered most of the points that I was going to comment on and reinforce, I would like to take just a moment to talk to you about the concept of the hand pump and the individual water systems. The picture on the front of the FHA brochure we think is a very misleading one, and we think, unfortunately, it is a very common one.

I do not know how many of you gentlemen have ever seen—if you do not mind, I will stand up and this will take only 2 minutes—the modern submersible water pump. This pump will produce between 200 and 800 gallons per hour, depending on how deep a well we are pumping from. It is immersed in the water. It is made of stainless steel here, bronze here, and quite a bit of plastic inside.

This is a modern pump, gentlemen. This is the motor. This is the intake for the water. I wish I had a cutaway to show you the impellers. There are 10 stages or impellers in this particular pump to build up first speed and then finally pressure so the water goes up the drop pipe and the controls go up through the wires which you see here.

This pump and many like it serve the some 10 million private individual water systems in this country today.

We acknowledge that there are many people with cisterns, shallow wells, even surface water sources, but for those in most areas of the country where there is good ground water—and this is true of most populated areas—this type of pump in a 4-inch well at a cost, roughly, for this particular pump and total installation of between \$700 and \$1,000, will do the job and do it beautifully. As a matter of fact, if the water is there, you are going to get a lot more than the 3 gallons per minute which was mentioned by FHA as its minimum standard.

As I say, this will produce up to 800 gallons per hour, assuming that the water is there. It will do it where the water is needed without

costly distribution lines. The water will be there for firefighting. The water will be there in terms of how much is needed on that farm or residence.

We thank you. That is my statement.

Mr. POAGE. Thank you very much.

If there are no further questions, we thank you, gentlemen, and we shall now hear from Mr. William N. Walker, National Water Well Association, also of Chicago, Ill., who will be accompanied by Mr. Edward H. Martin, Jr.

STATEMENT OF WILLIAM N. WALKER (Resumed), COUNSEL, NATIONAL WATER WELL ASSOCIATION, GLENVIEW, ILL.; ACCOMPANIED BY EDWARD H. MARTIN, JR., EXECUTIVE SECRETARY, NATIONAL WATER WELL ASSOCIATION

Mr. WALKER. Thank you, Mr. Chairman. We also appreciate the graciousness of the committee for reconvening in order to give us an opportunity to express our views.

For the record, my name is William N. Walker. I am an attorney practicing at 134 South LaSalle Street in Chicago. I am here representing the National Water Wells Association, which is a national trade association of the water systems industries.

The association represents more than 12,000 individuals and companies in the United States engaged in the business of water well drilling, and 350 companies engaged in the manufacture and supply of water well drilling equipment. In addition, our technical division includes more than 400 geologists, hydrologists, and other experts in ground water technology, located both in this country and abroad.

Appearing with me today is Mr. Edward H. Martin, executive secretary of the association; Mr. Lloyd Brown of Kansas City, Mo., president of the association; Mr. Richard H. Lauman of Bethpage, N.Y., president-elect, and Mr. J. D. Kirkland, of Hereford, Tex., vice president.

The National Water Well Association endorses the views stated by Mr. Snell. Our interests in this matter are identical with those of the Water Systems Council since we drill the holes that the water systems people put their pumps into. Hence, I will not burden the record with any duplication of Mr. Snell's remarks but, rather, would seek to incorporate the essence of his remarks as my own.

I would like to add just a few thoughts very briefly, and perhaps answer some of the questions which have been raised by the committee.

This morning a question was asked, I believe by Congressman Gathings, of Mr. Brock, of the FHA, What does one do with a person who lives out beyond the edge of a rural water district who has a water problem? How does FHA help this kind of individual?

Mr. Brock indicated that there are loans available for individuals under the present setup of the Consolidated Farmers Home Administration Act of 1961. It is true, there are loans available to individuals for private water wells. However, that authority is, we believe, demonstrably inadequate in three particulars.

First, the authorizing sections of this legislation, sections 302, 303, and 304 are restricted to persons who are farmowners or farm tenants.

Hence, the authority does not go to rural residents who are not engaged in farming.

Secondly, the grant authority which would be provided under the Aiken bill, S. 1766, does not extend to these individuals.

Third is the psychological problem to which Mr. Snell alluded, that most of the persons, speaking generally now, who are faced with water problems in rural areas, are those persons who are relying upon shallow-dug wells or cisterns or similar outmoded water sources—springs or lakes, for example. We are perfectly willing to agree this is not an ample or adequate water source. What is needed is either a central water supply or an ample supply of good, pure, ground water.

These individuals are like the rest of us—they put things off too long. There is a vast inertia among persons in rural areas who have been unable or unwilling or could not afford to construct a private water system to take advantage of the benefits of the submersible pump and the other components of a private system. Hence, they do have water problems now.

We believe that what is needed in order to remedy this situation is not to try and rely upon their individual initiative. A program which invites them to come down to the FHA office and sign up for a loan to correct their problem is not going to work. Indeed, it will not work in any substantial sense. It will not have a significant effect upon the problem. We need some kind of stimulus, something to get these people aware of the advantages which they might obtain through getting better water.

The FHA has devised a way of stimulating these people, and they have done a wonderful job via the water association. The individual in a rural community who wants a central water system talks to his FHA man about it and understands about it and goes out and promotes the idea among his neighbors. He sells the idea. He tells the slowpokes to get on the bandwagon, that you can benefit from a central water system, from more water.

We think that this type of concept can also be applied to the individual system.

Congressman Callan was asking what could be done in the situation of a town in his district in Nebraska to permit those people to take advantage of the benefits of the FHA Act. We think the answer to that would be for these persons to form a water district to seek a grant and/or loan, and then to analyze their specific water problem and, if there are ample quantities of ground water available, they might very well solve their problem by putting in a number of individual water systems.

There are all sorts of benefits to be derived from this for the individual. First, of course they are going to get better water. This is naturally the first aim. Also, it will be much less expensive, all told, because the water association itself or the water district can let a contract to a well driller or to a series of well drillers to construct, let us say, 35 or 40 wells. A contract let in volume in this fashion will result in lower costs to all of the persons who will be benefited thereby. They could purchase the well casings and pumps in volume, thereby securing a reduced price.

The individuals themselves would have a water system, their own water system, supplying adequate running water in the house. They

would pay back this system in monthly payments to the association just like those who are now hooked up to the central system and pay a monthly water bill.

So, there is an eminently practical way of achieving the alternative to which Mr. Snell alluded. That alternative is individual systems in combination with or perhaps in substitution for central systems, given certain economic conditions and given, of course, the availability of the ground water. This will not work, for example, in arid areas. There it is essential to have a central system. Where water is available, we believe you ought to look to the alternative.

In summary, gentlemen, the National Water Well Association suggests four basic changes in the Aiken bill.

First, we would ask that the committee seriously consider the promulgation of standards of economic feasibility for the construction of any system.

Second, we would suggest that it consider directing the FHA to promulgate standards of construction.

Third, we would suggest that the committee consider the appointment of an advisory committee to make sure that these standards are the best standards that can be drafted. Put all the experts from industry, government, and planning agencies to work on the problem.

Fourth, we would suggest that the amendment proposed by the Water Systems Council which would increase the flexibility of the FHA in its operations to permit the use of individual systems in combination with or in lieu of central systems, also be seriously considered.

I thank you, Mr. Chairman.

Mr. POAGE. Thank you very much.

I wonder if you and Mr. Snell have prepared the amendments which you think would be advisable.

Mr. WALKER. Yes, sir, we have. You will find those as appendixes C and D to Mr. Snell's statement. That is correct.

I might say, Mr. Chairman, that the National Water Well Association at this time would like to offer any assistance which our industry can give to the committee or to FHA in seeking the objective which all of us are seeking to accomplish; namely, improving the rural water situation.

Mr. POAGE. I have earlier pointed out the faults I find in Senator Aiken's bill. I thought Senator Aiken had enlarged the scope of the financing facilities so they might not only be supplying water, but also might be providing for waste disposal, sewage systems. I do not believe the bill as it now stands does that.

Mr. WALKER. No, sir. We wish it did.

Mr. POAGE. We want to write a bill here to carry to rural areas the facilities which are available to the city people. Why should we not make some provision or regulation to provide for the disposal of wastes along with the water supply systems? You cannot have a waste disposal system without a water system. If you have uncontrolled waste disposal systems, you certainly will pollute the water source.

Mr. WALKER. That is right, sir. That is one of our most serious concerns at this time.

Mr. POAGE. It seems to me that one of our problems is this matter of not making provision for waste disposal in rural areas. Would

it be your thought that it would be wise to include such authority in this legislation?

Mr. WALKER. Very definitely so, sir. The National Water Well Association would wholeheartedly endorse any effort in this regard. It is our feeling that one of the greatest threats which is facing the United States now is a possible shortage of good water and cheap water. To the extent we pollute our ground water and to the extent that we fail to protect that ground water, we are going to increase the dimensions of the pollution problem.

Hence, we would be very much in support of your proposal.

Mr. POAGE. Do you see any reason why, as a practical matter, we could not graft this onto this proposal?

Mr. WALKER. No reason whatsoever, absolutely not.

Mr. POAGE. Are there other questions?

Mr. GATHINGS. Did I understand that your recommendation would call for permanent legislation and the striking out of October 1, 1968?

Mr. WALKER. I am sorry, where are you reading, Mr. Gathings?

Mr. GATHINGS. The information Mr. Snell gave us here in exhibit No. 4. Appendix D, page 3 of his statement. Do you concur in that recommendation?

Mr. WALKER. Yes, sir. The reason for striking that provision is that when read in context, the October 1, 1968, date does not appear to be practicable. In other words, the sentence reads:

Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

I would say between 1965, this being July 29, and 1968, there is not very much time to permit any community to undergo the expense of putting together a comprehensive water plan, particularly when any comprehensive planning job of this nature must take into consideration the problems of waste disposal as well as water supply. It is a very complex problem. Two and a half years is simply not enough time. This would cut off after October 1, 1968, all grants to any communities which have not followed through on such a plan.

Mr. GATHINGS. Congress generally is in session about 9 to 10 months of the year, at least 8 months. We have operated here, as we did the year before last, until December 24. Just about time to go home for Christmas if we didn't live too far.

Mr. WALKER. I recognize the substance of your statement which is quite true, that there is perhaps time in a theoretical sense. I wonder, though, if it is practical to require of these communities as a prerequisite to the solution of the problem with which we are concerned that they take this step, particularly in view of the expense which would be involved in such a plan.

Mr. GATHINGS. Well, a reasonable time.

Mr. WALKER. If I might refer you to Mr. Snell's statement, page 22. There appears a paragraph which expresses his thoughts in drafting the language to which you just made reference. I confess I am not sufficiently familiar with it to make any further extemporaneous comment.

Mr. GATHINGS. Thank you very much. I shall read that.

Mr. POAGE. Thank you.

Further questions?

MR. TEAGUE. No questions, Mr. Chairman.

MR. POAGE. If there are no further questions we are very much obliged to you, Mr. Walker.

MR. MARTIN, do you have anything to say?

MR. MARTIN. No, sir.

MR. STUBBLEFIELD. Mr. Chairman, how would you figure the costs and user charges?

MR. WALKER. I think that you could spread this out over a period of 40 years. One of the appendixes to Mr. Snell's statement contains a figure. Appendix B to Mr. Snell's statement contains a statement of the private water system cost analysis.

MR. STUBBLEFIELD. If you had a tandem district, and on the fringes you have individual wells, how would you arrive at the user charge? Would it be the same for everyone in the district?

MR. WALKER. I don't think it could be practically. It might be worked out that way. That certainly is a possibility, but I think more likely the way you would work it out is to prorate the cost of the system itself, of the various individual systems, taken as a whole, and divide it by the number of families having such systems, prorate that over a period of 40 years, which is the contemplated life of the system, and add to that a certain cost to make up maintenance and also a certain cost to repay the association for services which it might from time to time render, including, of course, billing and what have you, and that kind of thing.

MR. STUBBLEFIELD. How about service? How about the central systems?

MR. WALKER. I think the central systems, particularly the pumping plants and whatnot, would perhaps require a different skill from that of maintaining an ordinary individual water system.

MR. STUBBLEFIELD. Do you contemplate the district would pay for the maintenance of these individual wells?

MR. WALKER. I think as they are presently set up the districts contemplate maintenance of the distribution lines presently. Hence there is no reason why, assuming they are reimbursed, that they couldn't also assume the responsibility of maintenance for the private systems as well.

MR. STUBBLEFIELD. Thank you.

MR. POAGE. If there are no further questions we are very much obliged to you gentlemen.

I would think we might save some time if the members stayed with us a few moments and try to solve this problem with me.

MR. WALKER. Thank you, Mr. Chairman.

(The following telegram and statement were also submitted to the subcommittee:)

DAVENPORT, IOWA, July 29, 1965.

W. R. POAGE,

*Chairman, Conservation and Credit Subcommittee,
House Committee on Agriculture, Washington, D.C.:*

Am sorry that unavoidable conflict makes it impossible for me to appear as water system council president at rural water facilities hearing. Our membership has considered the position to be presented and concurs strongly with statements made by Messrs. Snell and Humes.

JAMES E. RICHARD,

*President, Water Systems Council and
President, Red Jacket Manufacturing Co.*

STATEMENT OF PATRICK HEALY, EXECUTIVE DIRECTOR, NATIONAL LEAGUE OF CITIES

Mr. Chairman and members of the House Subcommittee on Conservation and Credit, I am Patrick Healy, executive director of the National League of Cities (formerly the American Municipal Association), an organization representing over 13,000 cities and towns of all sizes, some in densely populated urban areas and others in sparsely populated rural areas, throughout the United States. I appear on behalf of the National League of Cities to comment on and suggest amendments to H.R. 10052 by Representative Bandstra, and S. 1766 by Senator Aiken, which amend the Consolidated Farmers Home Administration Act of 1961, authorizing the Secretary of Agriculture to make grants and loans to public and quasi-public agencies, nonprofit corporations, and associations for the construction of water systems serving rural areas and to make grants-in-aid for rural community development planning.

The interest of the many large and small municipalities NLC represents in this legislation should be quite apparent, since their officials are charged with encouraging logical urban growth and providing local services, such as water and sanitation, to urban and urban fringe areas efficiently and at a minimum of cost to the public. It is the belief of the officials we represent that legislation such as H.R. 10052 and S. 1766 has led and will continue to lead, if this legislation is enacted, to what is called substandard urban expansion and the proliferation of ill-conceived and inefficient special units of local government and private associations which are not equipped to provide urban services to small but urbanizing concentrations of population.

Substandard urban development is well defined in NLC's National Municipal Policy, a copy of which is attached to this statement for inclusion in the record. Briefly, it is urban growth characterized by a lack of comprehensive planning and minimal public facilities. Such growth, typically, occurs in rural areas which are near but not adjacent to urban areas, and much of it is now occurring in the approximately 220 standard metropolitan statistical areas, as defined by the U.S. Bureau of the Census. It has occurred, however, and will continue to occur adjacent to many of our country's smaller cities and towns.

We recognize that the responsibility for substandard urban expansion does not rest solely upon the shoulders of the Federal Government or its Department of Agriculture. As a matter of fact, we are not opposed to the idea of extending the qualities of urban life, such as pure, inexpensive water supplies, to the farm. The Secretary of Agriculture should possess the power to assist individual farmers or small groups of farmers obtain financing for strictly rural water systems. But it must be recognized that the existing Department of Agriculture loan and insured loan program for rural water systems has led to an alarming increase in substandard urban development adjacent to the municipalities of the Nation.

Perhaps the following factors can be blamed for this undesirable urban growth:

1. States have generally failed to provide for logical urban growth by allowing the formation of single-purpose units of local government and private associations with power to provide municipal services, such as water and sanitation, without requiring the installation of facilities in conformity with areawide plans and uniform standards.

2. Similarly, the States have failed to allow municipalities to expand their boundaries to serve growth areas. Broad annexation powers would allow municipalities to prevent substandard urban expansion before it occurs by enabling them to install the facilities and provide the services to areas of new growth.

3. The Federal Government, in an effort to bring the qualities of city life to rural areas, has provided financing for water systems which are adequate to serve isolated farmhouses, but which, inevitably, end up serving more extensive residential developments inadequately. S. 1766 is an example of the legislation being considered by Congress during this session which would broaden this authority.

4. Finally, many municipalities and counties fail to recognize the necessity and logic of planning for sound and orderly urban growth, thereby allowing substandard urban development to arise at their doorsteps. Such municipalities and counties should plan for their growth by adopting a master plan, zoning resolutions, building codes and the like, all of which would help insure the sound and orderly development of their entire community.

It appears, at first blush, that the language of S. 1766 has been drafted with sound planning and development requirements in mind. But we are alarmed by what a close reading and strict interpretation of its provisions reveals as the actual scope of the legislation.

I. PLANNING REQUIREMENT

What appears to be an excellent planning requirement has been included in part (iii) of subsection (3) of the amended section 306(a). This planning requirement, however, applies only to the grant program authorized by this legislation. It does not apply to the loan or insured loan programs, both of which have already encouraged and will, if this bill is enacted, stimulate further substandard urban expansion as much as the grant program. The Secretary of Agriculture is given, furthermore, over 3 years of leadtime to put the grant program into operation without requiring that grants made pursuant to this legislation conform to the planning requirement of section 306(a). As a result, this planning requirement is sharply limited in its scope.

Consequently, we strongly urge that S. 1766 be amended as follows:

1. Line 8, page 3, should read: "(3) No grant or loan shall be made and no loan shall be insured under paragraphs 1 or 2 of this".

2. Lines 22, 23, 24, and 25, page 3, should be deleted beginning after the period on line 22.

These amendments would, on the one hand, require that loan programs would come under the planning requirement and that, on the other, the leadtime before application of the planning requirement be eliminated.

Part (iii) of this subsection fails to indicate how the Secretary shall determine that a project is consistent with a comprehensive community water plan for the area. Since many States, counties, and municipalities have developed such plans, we suggest adding the following language to insure that consistency with the plans for water development will be achieved:

Following the period on line 22, page 3, add "In order to determine consistency or inconsistency with a community water development plan for the area where the proposed project will be located, the Secretary shall establish regulations requiring the submission of applications to appropriate State agencies and any political subdivisions operating or franchising the operation of a water or sewer utility within 25 miles of the proposed project, and such comments shall be attached to the application forwarded to the Secretary. The Secretary shall give full consideration to such comments when furnishing financial assistance to the proposed projects."

These suggested amendments would make the planning requirement meaningful but still allow the Secretary of Agriculture to assist rural areas with the development of rural water systems. They would implement a general recommendation concerning planning requirements for Federal grant and loan programs made by the Advisory Commission on Intergovernmental Relations in its report entitled "Impact of Federal Urban Development Programs on Local Government Organization" and "Planning and Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas." These recommendations have been endorsed and are supported by the National League of Cities, the National Association of Counties, and many other organizations of public officials.

The suggested amendments are also in keeping with the Public Health Service's Advisory Committee for State Legislation on Planning of Urban Water Supply and Sewerage Systems. This ad hoc committee has just completed drafting recommended State legislation (a copy of which is attached to this testimony for inclusion in the record on S. 1766) governing the planning and regulation of water supply and sewerage services. This suggested legislation is now under consideration for inclusion in the Council of State Government's Suggested State Legislation. We fully expect the council to adopt these suggested acts as a part of its legislative program for States, and, as a result, this legislation should be enacted by a number of States. The National League of Cities fully supports these suggested acts and encourages its membership to support their passage at the State level.

II. CONSTRUCTION OF RURAL SYSTEMS IN CONFORMITY WITH ADJACENT PUBLIC WATER SYSTEMS

Most of the grants, loans, or insured loans authorized by these amendments to the Consolidated Farmers Home Administration Act will be made in areas within reasonable proximity to existing public (municipally operated or franchised) water systems. We have no objection to the Department of Agriculture assisting with the financing rural water systems as long as the systems will be used to supply territory which will remain sparsely populated and continue to have rural characteristics, such as being devoted exclusively to the production of crops. There is a natural tendency, however, for some of those who receive grants, loans or insured loans under this program to use the improved water supply system to promote the physical growth of the area served by the system. In other words, the existence of water which is distributed to a rural area can be used to attract buyers to a residential area close to an incorporated or unincorporated urban place. The reason for the attraction is simple—the residents will be offered the amenities of urban life based upon a water supply, without having to pay for other urban services, such as streets, police and fire protection, sanitation, schools and the like. Should the water supply upon which this development is founded prove to be inadequate to serve the residential development which it precipitated, someone, probably the adjacent public water system, will be required to provide the necessary water supply in addition to the other local services the new development requires. In any event, the adjacent public authority will, in all probability, be required to improve the originally installed rural water system to conform with urban demands when the urban area grows to include the residential development spawned by the rural water system.

This artificial urbanization of remote areas has the further disadvantage of scattering existing public services. Schools must be constructed in these areas or school children must be transported greater distances to be educated, and both of these alternatives result in greater costs for the citizens of local areas. While the advantages and amenities of town are at hand, the residents of the newly urbanizing area bear relatively little of the cost of financing the extension of local governmental services to their homes.

The avoidance of this costly long-term problem of substandard urban expansion, requires the adoption of the following amendments to S. 1766:

Add a new subsection (4) to read, and renumber all succeeding subsections:

"(4) The Secretary shall establish regulations governing the making or insuring of grants or loans for projects located within twenty-five (25) miles of any public water system which will require:

"(i) the proposed project, if it will be located within five (5) miles of a public water system, shall be constructed as a part of said system, if the operator thereof possesses the power to operate said public water system without its corporate limits, provided however, that if the proposed project is located within five (5) miles of two (2) or more public water systems, the Secretary shall require it to be constructed as a part of that public water system which will permit the most economical and convenient construction of the proposed project.

"(ii) the proposed project, if it will be located within an area from five (5) to twenty-five (25) miles of a public water system, shall be constructed in such a manner that it will be capable of being connected to such public water system when the growth of said public system makes such connection economical."

This amendment will allow Congress to enact S. 1766 with the knowledge that water will be supplied to rural areas which have the potential of becoming urban in character on a basis which will insure sound and orderly development. Congress will also be able to act with the knowledge that the potential residents of these areas will not be subjected to living in a substandard urban environment just because the original water system was planned, financed, and constructed without giving proper attention to the growth potentials of the area the system was supposed to serve. The residents of such areas would also be protected against the subsequent costs involved in reinstallation of adequate utility service. Such costs have, in some cases, been demonstrated to be a major factor in the decline of suburban areas and, where imposed upon homeowners, a serious hardship.

The language, public water system, used in the suggested amendment must be defined in the legislation. We suggest the following language, to be included as a new subsection (9) :

"(9) Public water system, for the purposes of this Act, shall mean any water system operated by a political subdivision of any State or any water systems whose operation is franchised by any such political subdivision of any state."

III. LIMITATIONS ON AMOUNTS OF GRANTS AND LOANS

Part (iii) of subsection (2) of the amended section 306(a) has the practical effect of preventing local governments from qualifying for grants, loans, or insured loans under this legislation. This is due to the fact that this language limits public bodies to assistance equal to that which is in excess of the amount which can be legally financed by the body and for which alternate financing is not available. Local governments are bound by debt limitations of varying kinds and types, but, almost universally, local governments are not limited in the amount of debt they can create to finance water system improvements. Thus the language of this section, since alternate methods of financing which are permitted by law are available, prevents local governments from participating in the grant, loan, and insured loan program authorized by this bill. We strongly urge, therefore, that part (iii) of subsection (2) of the amended section 306(a) be deleted from S. 1766 in its entirety.

IV. PREFERENCE FOR GENERAL UNITS OF LOCAL GOVERNMENT

S. 1766 would permit grants, loans, and insured loans to be made to associations, quasi-public, and public agencies alike. A similar provision is found in the existing language of the Consolidated Farmers Home Administration Act of 1961, but few public agencies have been the recipient of loans or insured loans authorized by that act. In light of the primary responsibility of local government for providing or regulating the provision of water and sanitation services, in addition to other municipal services, the Department of Agriculture should encourage general units of local government, such as cities, towns, and counties, to participate in the programs authorized by this legislation. To that end, we suggest the addition of a subsection (10) to the amended section 306(a), to read as follows:

"(10) The Secretary shall, in the absence of substantial reasons to the contrary, make or insure grants and loans under the authority of this Act only to cities, towns, counties, and other units of general local government."

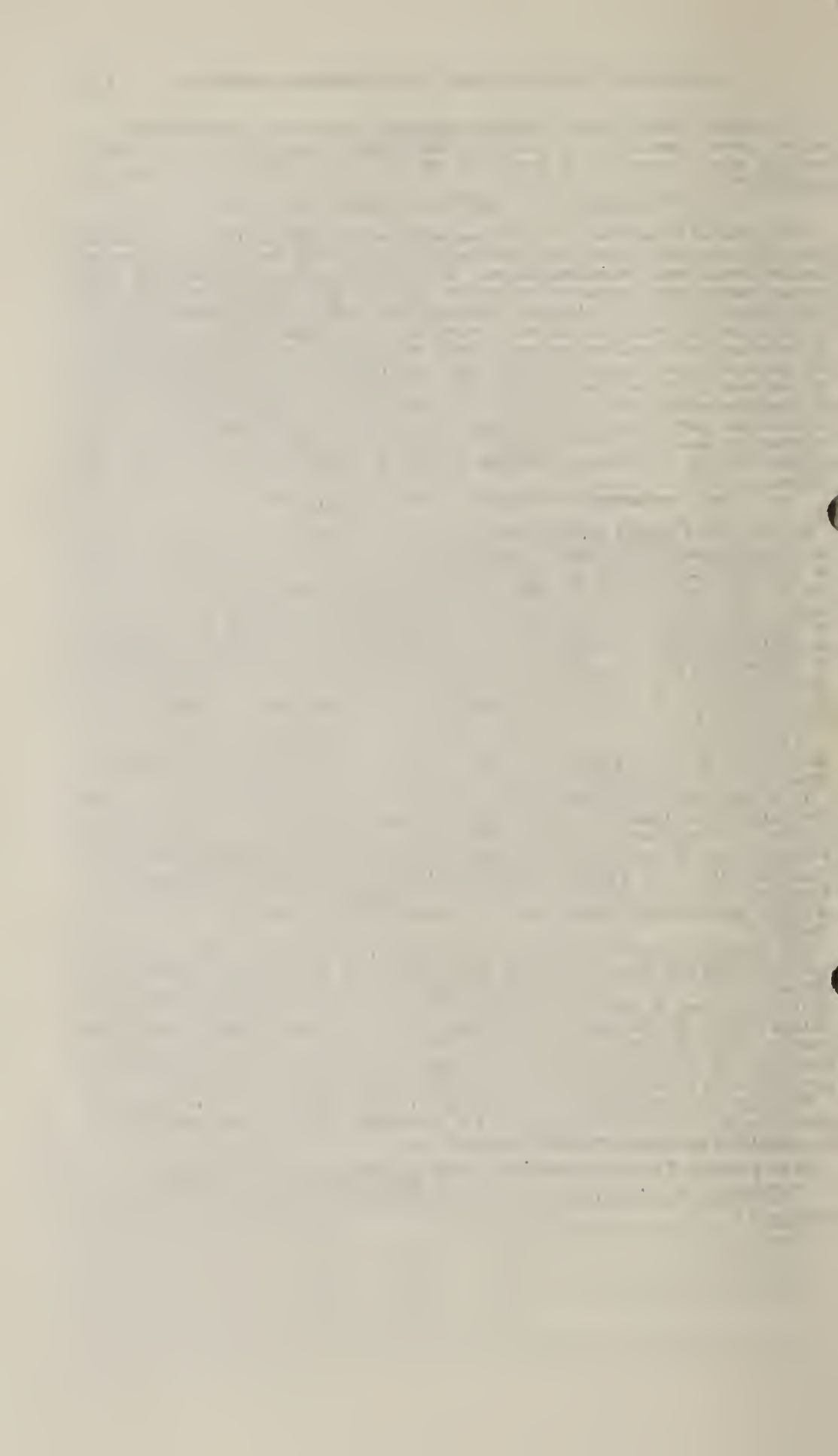
This suggested amendment also conforms to the recommended policy for Federal grant and loan programs which has been adopted by the Advisory Commission on Intergovernmental Relations in its publications entitled "Impact of Federal Urban Development Programs on Local Government Organization and Planning" and "The Problem of Special Districts in American Government." These recommendations are also endorsed and supported by the National League of Cities, the National Association of Counties, and other organizations of public officials.

The National League of Cities strongly supports progressive programs which will bring the full amenities of life to all citizens of the Nation, especially the citizens of rural areas which, traditionally, have lagged behind the standards of living enjoyed in urban areas. We must be ever mindful, however, that the Nation has an overwhelming investment in the established urban areas of the country, their facilities, and services. We cannot afford the luxury of the enactment of legislation which would undermine these services and facilities through poorly planned and powerfully influential utility development.

We urge, Mr. Chairman, the committee's careful attention to our suggested amendments as an essential step in the perfection of legislation which has a commendable goal and a worthwhile objective.

Mr. POAGE. The subcommittee will go into executive session.

(Whereupon, at 4:10 p.m., the subcommittee went into executive session.)



LEGISLATIVE HISTORY

Public Law 89-240
S. 1766

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Digest of Public Law 89-240.2

INDEX AND SUMMARY OF S. 1766

Jan.	26, 1965	Sen. Burdick introduced S. 709 which was referred to Senate Agriculture and Forestry Committee. Print of bill as introduced.
Feb.	17, 1965	Rep. Poage introduced H. R. 5075 which was referred to House Agriculture Committee. Print of bill as introduced.
Feb.	25, 1965	House committee voted to report H. R. 5075.
Mar.	1, 1965	House committee reported H. R. 5075 with amendments. H. Report 115. <u>Print of bill and report.</u>
Mar.	15, 1965	House passed H. R. 5075 under suspension of the rules.
Mar.	16, 1965	H. R. 5075 was referred to Senate Agriculture and Forestry Committee. Print of bill as referred.
Apr.	13, 1965	Sen. Aiken and others introduced and Sen. Aiken discussed S. 1766 which was referred to Senate Agriculture and Forestry Committee. Print of bill and remarks of Sen. Aiken.
May	6, 1965	Rep. Stafford introduced H. R. 7968 which was referred to House Agriculture Committee.
May	10, 1965	Rep. Bandstra introduced H. R. 7998 which was referred to House Agriculture Committee.
May	12, 1965	Rep. Anderson, Tenn., introduced H. R. 8116 which was referred to House Agriculture Committee.
May	18, 1965	Rep. Andrews, N. Dak., introduced H. R. 8234 which was referred to House Agriculture Committee.
July	21, 1965	Senate committee voted to report S. 1766. Rep. Widnall introduced H. R. 9987 which was referred to House Agriculture Committee.
July	22, 1965	Senate committee reported S. 1766 with amendments. S. Report 500. Print of bill and report.
July	23, 1965	Senate passed S. 1766 as reported.
July	26, 1965	S. 1766 was referred to House Agriculture Committee. Print of bill as referred.

INDEX AND SUMMARY OF S. 1766

- Aug. 3, 1965 House subcommittee approved clean bill to be introduced.
- Rep. Poage introduced H. R. 10232 which was referred to House Agriculture Committee. Print of bill as introduced.
- Aug. 11, 1965 House committee voted to report H. R. 10232.
- ✓ Aug. 24, 1965 House committee reported H. R. 10232 with amendments. H. Report No. 847. Print of bill and report.
- Sept. 1, 1965 House Rules Committee deferred action on H. R. 10232.
- Summary of bill as reported by House committee.
- Sept. 9, 1965 Rules Committee granted an open rule on H. R. 10232.
- ✓ Sept. 14, 1965 Rules Committee reported resolution for the consideration of H. R. 10232. H. Res. 580, H. Rept. 991. Print of resolution and report.
- Sept. 23, 1965 House passed S. 1766 with amendment (substituting language of H. R. 10232 with amendment).
- H. R. 10232 indefinitely postponed due to passage of S. 1766.
- Sept. 24, 1965 Senate concurred in House amendment.
- Sept. 28, 1965 Both Houses agreed to technical amendments to S. 1766.
- Oct. 7, 1965 Approved: Public Law 89-240.

DIGEST OF PUBLIC LAW 89-240

CONSOLIDATED FARMERS HOME ADMINISTRATION ACT AMENDMENTS.

Amends the Consolidated Farmers Home Administration Act as follows: Provides for making or insuring of loans for facilities for the collection, treatment, or disposal of waste and for the development of recreational facilities without the necessity for a shift in land use. Provides for grants aggregating not to exceed \$50 million in any fiscal year, but not to exceed 50 percent of the development costs of any project, to assist associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste. Provides for grants aggregating not to exceed \$5 million in any fiscal year to public bodies or other appropriate agencies for the preparation of official comprehensive plans for the development of water and sewer systems in rural areas. Defines rural areas not including any area in any city or town which has a population in excess of 5,500 inhabitants. Increases the previous \$1 million loan limitation for a single applicant association to \$4 million total loan and grant. Increases the annual authorization for loans to associations and to family farmers insured by the Farmers Home Administration from \$200 million to \$450 million.

89TH CONGRESS
1ST SESSION

S. 709

IN THE SENATE OF THE UNITED STATES

JANUARY 26, 1965

Mr. BURDICK (for himself, Mr. YOUNG of North Dakota, Mr. HARTKE, Mr. NELSON, and Mr. MUNDT) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 308 of the Consolidated Farmers Home Admin-
4 istration Act of 1961 is amended by—

5 (1) striking out “\$200,000,000” and inserting in
6 lieu thereof “\$450,000,000”;

7 (2) in clause (a) striking out “except that no
8 agreement shall provide for purchase by the Secretary

1 at a date sooner than three years from the date of the
2 note”; and

3 (3) striking out clause (b) and inserting in lieu
4 thereof “(b) may retain out of payments by the bor-
5 rower a charge at a rate specified in the insurance
6 agreement applicable to the loan”.

7 (b) Section 309 (e) of such Act is amended by striking
8 out “such portion of the charge collected in connection with
9 the insurance of loans at least equal to a rate of one-half
10 of 1 per centum per annum on the outstanding principal
11 obligations and the remainder of such charge” and inserting
12 in lieu thereof “all or a portion, not to exceed one-half of
13 1 per centum of the unpaid principal balance of the loan,
14 of any charge collected in connection with the insurance of
15 loans; and any remainder of any such charge”.

16 (c) Section 309 (f) (1) of such Act is amended by strik-
17 ing out “\$25,000,000” and inserting in lieu thereof
18 “\$50,000,000”.

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A, and for other purposes.

By Mr. BURDICK, Mr. YOUNG of North Dakota,
Mr. HARTKE, Mr. NELSON, and Mr. MUNDT

JANUARY 26, 1965

Read twice and referred to the Committee on
Agriculture and Forestry

89TH CONGRESS
1ST SESSION

H. R. 5075

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 17, 1965

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Consolidated Farmers Home Administrative Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. That section 308 of the Consolidated Farm-
4 ers Home Administration Act of 1961 is amended by strik-
5 ing out the figure “\$200,000,000” and inserting in lieu
6 thereof the figure “\$450,000,000”.

7 SEC. 2. That section 308 (d) of the above cited Act is
8 amended by striking out “except that no agreement shall
9 provide for purchase by the Secretary at a date sooner than
10 three years from the date of the note;”.

1 SEC. 3. That section 308 (b) of the above cited Act is
2 amended by striking out the entire subsection (b) and in-
3 serting in lieu thereof a new subsection (b) as follows: “(b)
4 may retain out of payments by the borrower a charge at a
5 rate specified in the insurance agreement applicable to the
6 loan.”

7 SEC. 4. That section 309 (f) (1) of the above cited Act
8 is amended by striking the figure “\$25,000,000” and insert-
9 ing in lieu thereof the figure “\$50,000,000”.

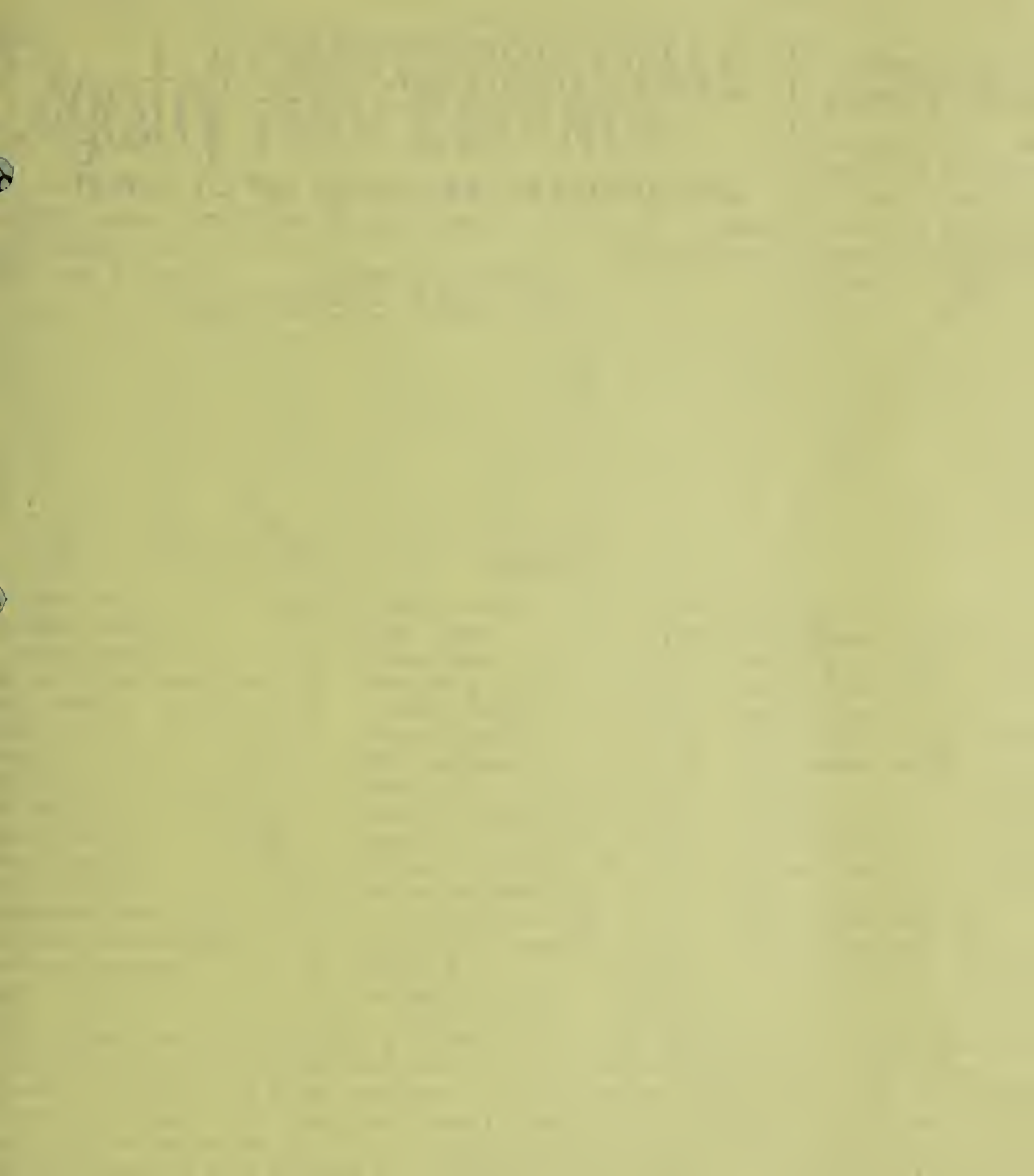
A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such Act.

By Mr. Poage

FEBRUARY 17, 1965

Referred to the Committee on Agriculture



Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE

Washington, D. C. 20250

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OFFICE OF
BUDGET AND FINANCE

(For information only;
should not be quoted
or cited)

Issued February 26, 1965

For actions of February 25, 1965

89th-1st.; No. 37

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HIGHLIGHTS: Senate passed water resources planning bill. Sen. Eastland criticized Kermit Gordon's article on farm program. Sen. McGovern inserted Sen. Mondale's speech defending farm price supports. Sen. Miller urged resumption of dried egg purchase program. Sen. Talmadge stated Common Market policies pose threat to U. S. agricultural export market. Sen. Thurmond inserted S. C. Legislative resolution protesting proposed user charges on SCS technical assistance. House committee voted to report bill to increase limitation on FHA insured loans. House Rules Committee cleared Appalachia bill.

HOUSE

1. APPALACHIA. The Rules Committee reported a resolution for the consideration of S. 3, to provide public works and economic development programs and assist in the development of the Appalachian region (p. 3627). Rep. Cleveland asked careful reading of the House Report on the bill, particularly the minority and additional views, stating that "They point out in detail the essential unfairness of this legislation to the rest of the Nation." pp. 3618-20
2. RESEARCH. Received from the Science and Astronautics Committee a report on geographic distribution of Federal research and development funds (H. Report 106). p. 3626

3. FOREIGN AID. Rep. Findley criticized "billion-dollar generosity" to Nasser and inserted a letter and tables from USDA summarizing Public Law 480 transactions with UAR. pp. 3582-3
4. RESEARCH. Rep. Roush spoke on the geographical distribution of Federal funds for research and development, emphasizing the "need for constant attention to not only how these funds are spent but where they are spent." p. 3585
5. FARM LABOR. Rep. Matsunaga commented that "one sure solution to the agricultural labor shortage in California...may be a living wage for a man and his family" and that Hawaii "applied this solution very happily to solve its problem." p. 3625
6. FARM LOANS. The Agriculture Committee voted to report (but did not actually report) H.R. 5075, to amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such Act; and H.R. 4152, to amend the Federal Farm Loan Act and the Farm Credit Act of 1933 to provide means for expediting the retirement of Government capital in the Federal intermediate credit banks, including an increase in the debt permitted such banks in relation to their capital and provision for the production credit associations to acquire additional capital stock therein, to provide for allocating certain earnings of such banks and associations to their users. p. D132
7. COMMITTEES. The chairmen of the Interstate and Foreign Commerce Committee and the Post Office and Civil Service Committee announced the appointment of subcommittees. pp. D133-4
8. LEGISLATIVE PROGRAM. Rep. Albert announced that on Mon., Mar. 1, the House will begin consideration of S. 3, the Appalachia bill. p. 3581
9. ADJOURNED until Mon., Mar. 1. p. 3626

SENATE

10. WATER RESOURCES. Passed as reported S. 21, to provide for the optimum development of the Nation's natural resources through the coordinated planning of water and related land resources, through the establishment of a water resources council and river basin commissions, and by providing financial assistance to the States in order to increase State participation in such planning. pp. 3535-40
11. INTER-AMERICAN DEVELOPMENT BANK. By a vote of 67 to 14, passed with amendments H. R. 45, to authorize \$750 million for U. S. participation in the Fund for Special Operations of the Inter American Development Bank (pp. 3519-25, 3526-32). Consideration of a similar bill, S. 805, was indefinitely postponed (p. 3532). Senate conferees were appointed (p. 3532).
12. FARM PROGRAM. Sen. Eastland charged that Budget Bureau Director Gordon in his recent magazine article "assaulted the farmer and farm programs enacted by the Congress in an unjustified manner," and the Senator defended Federal expenditures for the farm program as contrasted with expenditures for other programs. pp. 3503-4

March 1, 1965

13. FOREIGN AID. Rep. Evins inserted reports from the Comptroller General which he stated lists "numerous instances in which irregularities have been shown to exist" in the foreign aid program. pp. 3774-5
Received from GAO a report of "unnecessary dollar grants to a foreign country under the foreign assistance program, Agency for International Development." p. 3805
14. PATENTS. The Judiciary Committee reported without amendment H. R. 4185, to fix the fees payable to the Patent Office (H. Rept. 113). p. 3805
15. FARM LOANS. The Agriculture Committee reported without amendment H. R. 4152, to amend the Federal Farm Loan Act and Farm Credit Act of 1933 so as to provide means for expediting the retirement of Government capital in the Federal intermediate credit banks, including an increase in the debt permitted such banks in relation to their capital and provision for the production credit associations to acquire additional capital stock therein, and to provide for allocating certain earnings of such banks and associations to their users (H. Rept. 114); and with amendment H. R. 5075, to amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such act (H. Rept. 115). p. 3805
16. PEACE CORPS. Several Representatives commended the Peace Corps on its fourth anniversary. pp. 3750, 3751, 3775-6, 3776, 3799, 3801-2, 3802
17. CONSENT CALENDAR. Rep. Aspinall inserted the "Statement on Rules of Operation of the Consent Calendar Members. p. 3752
18. FLOOD CONTROL. Passed without amendment H. R. 2208, to modify the flood control project on the Scioto River, Ohio. p. 3752
19. COTTON. Rep. Findley criticized the cotton program, stated that "U. S. Department of Agriculture statistics show that mills simply transferred the subsidies to their profit column, and let product prices continue their upward trend," and inserted a Time magazine article on the subject. p. 3795
20. WOOL IMPORTS. Rep. St. Germain inserted a Rhode Island General Assembly resolution asking for an international agreement limiting imports of woolen-worsted. p. 3800
21. PEANUTS. Received from USDA a proposed bill to amend the provisions of the Agricultural Act of 1949, to eliminate the requirement that price support level for peanuts be dependent upon carryover stocks at the beginning of the marketing year; to Agriculture Committee. p. 3805
22. CIVIL RIGHTS. Received from the Civil Rights Commission a report of a study of selected programs of the Department of Agriculture. p. 3805
23. SUGARBEETS. Received a memorial of the Idaho State Legislature requesting the enactment of legislation increasing the basic sugarbeet quota to a minimum of the 1965 restricted acreage production. p. 3807

ITEMS IN APPENDIX

24. SOYBEANS. Extension of remarks of Sen. Fulbright stating that "...soybeans continue to be a prime dollar earner for the United States in world markets..."

and inserting an article, "Soybean Oil in Our Foods." pp. A855-6

25. PEACE CORPS. Extension of remarks of Rep. Moss commending the Peace Corps program and urging continuation of the program. p. A864
26. PURCHASING. Rep. Evins inserted a letter which advises that almost 60 percent of GSA purchases are now being supplied by small business concerns. p. A865
27. TOBACCO. Rep. O'Neal inserted two articles commenting on the field hearings conducted by the Subcommittee on Tobacco of the House Committee on Agriculture at which time the tobacco growers expressed opposition to any new legislation to establish a combination of acreage and poundage in determining tobacco quotas. pp. A866-7
28. RECLAMATION. Rep. Moss inserted an address by Commissioner of Reclamation Dominy, "Engineering for Human Needs." pp. A869-71
29. CONSERVATION. Rep. McCarthy inserted Rep. Nelson's speech in which he stressed the need for conservation of our natural resources. pp. A872-4
30. COFFEE. Extension of remarks of Rep. Ottinger urging immediate passage of legislation to implement the International Coffee Agreement. p. A885
31. FOOD SUPPLY. Extension of remarks of Rep. McCarthy stating that the world population explosion is a "tremendous strain on food resources", and inserting an article, "Famine and Fertilizer." pp. A889-91

BILLS INTRODUCED

32. FOREIGN TRADE. S. 1333 by Sen. Hartke, to amend the adjustment assistance provisions of the Trade Expansion Act of 1962 with respect to determinations by the Tariff Commission of injury or threatened injury to firms or groups of workers; to Finance Committee. Remarks of author, pp. 3651-2
H. R. 5566 by Rep. Derwinski, to amend the Trade Expansion Act of 1962 to provide that the authority to enter into trade agreements under such act will expire at the close of 1965; to Ways and Means Committee.
S. 1332 by Sen. Robertson, to provide for continuation of authority for regulation of exports; to Banking & Currency Committee. Remarks, pp. 3650-1
H. R. 5603 by Rep. Farbstein, to amend the Export Control Act of 1949; to Banking and Currency Committee.
33. MONOPOLIES. S. 1305 by Sen. Javits, for the establishment of a Commission on Revision of the Antitrust Laws of the United States; to Judiciary Committee. Remarks of author, pp. 3644-5
H. R. 5584 by Rep. Reid, N.Y., for the establishment of a Commission on Revision of the Antitrust Laws of the United States; to Judiciary Committee.
34. WEATHER. S. 1302 by Sen. Magnuson, to authorize the Secretary of Commerce to utilize funds received from State and local governments for special meteorological services; to Commerce Committee. Remarks of author pp. 3643-4
35. FOOD. S. 1312 by Sen. Bible, to amend the District of Columbia Public School Food Services Act; to District of Columbia Committee.
36. NATIONAL PARKS. S. 1322 by Sen. Brewster, to establish the Chesapeake & Ohio Canal National Historical Park in the State of Maryland; to Interior and Insular Affairs Committee. Remarks of author, pp. 3648-9

INCREASE FHA LOAN FUND LIMITATION

MARCH 1, 1965.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H.R. 5075]

The Committee on Agriculture, to whom was referred the bill (H.R. 5075) to amend the Consolidated Farmers Home Administrative Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such act, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

The amendments are as follows:

On page 1, line 7, strike out "308(d)" and insert "308(a)".

On page 2, following line 6, insert a new section 4 as follows:

SEC. 4. That section 309(e) of the above cited Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

On page 2, line 7, strike out "SEC. 4." and insert "SEC. 5."

PURPOSE OF THE BILL

The purpose of this bill is to increase the limitation on the amount of loans which the Government can insure under the provisions of subtitle A of the Consolidated Farmers Home Administration Act of 1961 from \$200 million to \$450 million and to facilitate the administration of the increased loan fund. The insured loan fund administered

by the Farmers Home Administration is very similar to the insured loan fund administered by the Federal Housing Administration. This measure would not increase the amount of funds available for direct loan by the Farmers Home Administration.

NEED FOR THE LEGISLATION

The Farmers Home Administration was created in 1937 to make loans to farm owners and operators who could not secure financing from any other source. This organization has continued its operation since that time and has enabled many thousands of individuals to own their farms or to remain on their farms when they would not have had an opportunity to do so without the assistance of the Farmers Home Administration.

As the costs of farmland and other farming operations have increased over the years, the need for Farmers Home Administration loans has grown. The Farmers Home Administration, due to the ceiling imposed by Congress on its authority to insure loans, has been forced to deny loans to many deserving and qualified farmers. This has crippled the effectiveness of this program to the American farmer. In order for the insured loan fund to have sufficient funds to meet the increased financing needs of the American farm community, we propose that the limitation be raised to \$450 million from the present ceiling of \$200 million annually. This increased authority will give the Farmers Home Administration insured loan program greater flexibility. It will assure a sufficient fund of money so that the repayment from loans on a month-to-month basis will be sufficient to assure a continuation of the loan program throughout the year. At the present time the Farmers Home Administration's lending authority is not sufficient to allow it to make loans to meet the demand it has for proper loans. As an example of the volume of loan applications handled by the Farmers Home Administration, it had on hand 14,837 applications for farm ownership and individual soil and water loans as of June 30, 1964, and this number had increased to 16,324 by December 31, 1964, even though loans were being made at the rate of over 1,200 per month during that 6-month period.

It is the feeling of this committee that ample provisions should be made to take care of the farmer who has enough initiative and drive to have acquired a credit rating sufficient to entitle him to consideration for a FHA insured loan. This is especially true in the light of the provisions of title III of the Economic Opportunity Act which authorizes the Farmers Home Administration to make \$1,500 grants and \$2,500 loans to individuals who lack a credit rating making them acceptable for the normal FHA loan program. It would be the height of folly to extend grants and loans to farmers who are not now financially solvent and thereby raise them to a financial position above those farmers who are acceptable for FHA insured loans but because of the shortage of funds cannot obtain them. We believe that this increase in the insured loan authority and the new loan provisions of title III of the Economic Opportunity Act must work together and not against each other if either is to be successful in raising the living standards of rural America.

The FHA loan program has been one of the most successful administered by the Federal Government over the years. Of the \$600

million in outstanding loans as of March 31, 1964, there were only \$1.7 million of loans foreclosed. This is 0.28 percent of the outstanding loans. The insurance fund derived from the charging of one-half of 1 percent on the loans made by FHA had grown to over \$14 million as of December 31, 1964. In the years since 1937, one-half of 1 percent has not only paid the outstanding defaults on loans made by FHA but has produced this reserve fund for loss which is a little over 2 percent of the total outstanding loans made by the Farmers Home Administration.

In order to facilitate administration of the loan program and to allow the FHA to better compete in the money market, this act authorizes the reduction of the insurance charge from the compulsory one-half of 1 percent. The committee feels that the prudent management of the loan operation has more than justified its confidence in the Farmers Home Administration and its allowance of this reduction. However, the committee wishes to make it clear that the Farmers Home Administration is to continue to withhold a sufficient amount for insurance to protect this very valuable programs.

Spokesmen for the National Farmers Union, the American Farm Bureau Federation, and the National Grange appeared in support of this legislation during the hearings held by the Conservation and Credit Subcommittee on February 17, 1965.

A similar bill, H.R. 7073, was passed by the House under a suspension of the rules on August 17, 1964. This bill was referred to the Senate and died with the expiration of the 88th Congress.

SECTION-BY-SECTION ANALYSIS OF THE BILL

Section 1 provides for the amendment of section 308 of the Consolidated Farmers Home Administration Act of 1961 and strikes the figure \$200 million and inserts the figure \$450 million. This has the effect of raising the insured lending authority from \$200 million annually to \$450 million.

Section 2 amends section 308(a) and allows the Secretary to repurchase obligations of the Farmers Home Administration in a period sooner than 3 years from the date of issuance as is now provided in the act. This will give the Secretary greater freedom in the money market and allow him to take advantage of any fall in the prices of securities.

Sections 3 and 4 amend sections 308(b) and 309(e) to allow the Secretary to collect an insurance fee of less than one-half of 1 percent. This is done to allow the Secretary greater freedom in the money market. It is sometimes necessary for the Secretary to offer more than 4½ percent in order to sell the obligations of the Farmers Home Administration. This will allow him this freedom. It is also felt that an amount smaller than one-half of 1 percent will be more than adequate to insure against defaults.

Section 5 amends section 309(f)(1) of the act and doubles the amount of money in the investment pool. This fund is provided to allow the Secretary to hold obligations between the time the loans are given and the time the papers securing the loans is sold in the market. This is essential since we are more than doubling the amount of loans the Farmers Home Administration can make.

COST

If the past history of the Farmers Home Administration's loan program has been any indication of what it will do in the future, the Government will suffer no losses from its insurance of loans made by the Farmers Home Administration. However, in order to provide for processing loan applications and the servicing of the increased number of insured loans which would be authorized under this legislation, additional personnel will be needed throughout the United States, necessitating increases for salaries and other administrative expenses during succeeding years.

DEPARTMENTAL APPROVAL

Following is the letter from the Department of Agriculture recommending the enactment of H.R. 2469 with certain amendments. The departmental amendments were adopted and a clean bill, H.R. 5075, was introduced.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., February 16, 1965.

HON. HAROLD D. COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request for a report on H.R. 2469, a bill to amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such act. H.R. 2479 proposes an increase from \$200 million to \$450 million in the annual authorization for the insurance of loans by the Farmers Home Administration.

We favor the objective of the bill.

The proposed increase from the \$200 million to \$450 million in the aggregate amount of loans that may be insured annually under this act would be required to enable the Department to assist an additional number of eligible applicants for loans authorized under subtitle A of the Consolidated Farmers Home Administration Act of 1961, Public Law 87-128, as amended. Farm ownership loans are made to assist family farmers to buy, enlarge, or develop farms and to refinance debts. Soil and water conservation loans are made to individual farmowners or tenants to assist them to improve, protect, and properly use their farmland. Soil and water conservation loans are also made to public and quasi-public bodies and nonprofit associations for the development and use of water and to carry out soil conservation practices and shifts in land use that serve farmers, ranchers, and rural residents.

Additional loan purposes for farmownership and soil and water loans were authorized in 1962 by Public Law 87-703. Farmownership loans were authorized for recreational enterprises on family farms and for fish farming. Important new authorizations were also provided to enable the Farmers Home Administration to make or insure loans to associations for shifts in land use, including the development of recreational facilities. Greater emphasis has been placed on making loans for forestry purposes since that time.

Applications for insured farm ownership and soil and water conservation loans to individuals were received during fiscal 1964 at the rate of 3,198 per month, and loans were made at the rate of 1,235 per month. Initial farmownership loans averaged about \$16,965. The demand for insured loans for all purposes in fiscal 1964 resulted in a total commitment of the \$200 million authorization by early May of 1964. In fact, the insurance authorization only permitted the making of loans to approximately 50 percent of the applicants qualifying for loans.

There were 14,837 applications for farm ownership and individual soil and water loans on hand June 30, 1964, and this number increased to 16,324 by December 31, 1964. During that period loans were made at over 1,200 per month.

Under Public Law 87-128, a source of credit has been made available to small rural communities in the United States which do not have an adequate and safe water supply. In closely settled rural communities, it is difficult and costly to obtain and develop sources of water supply free from contamination or pollution. In addition to the 15,000 rural towns which do not now have domestic water systems, there are many thousands of fairly heavily settled rural areas in which the use of individual family shallow wells create the hazard of contaminated domestic water supply which can be remedied either by obtaining water from deep wells or the development of a group domestic water system.

The Farmers Home Administration has found that the new water development legislation has created tremendous demands for loans throughout the entire Nation as reflected by the number of applications now on hand. In 1960, soil and water conservation loans to associations were made in only 10 States; in fiscal 1963, they were made in 34 States; and in fiscal 1964, such loans were made in 39 States. These loans have averaged about \$120,000 each. During the first half of this fiscal year, 167 loans have been made for \$19 million and there are applications now on hand for soil and water loans to associations totaling approximately \$118 million.

These loans are available only to individuals and organizations which cannot secure the necessary financing from other credit sources. Credit is usually not available for establishing a new water distribution system by a nonpublic agency. Even where a new system is undertaken by such public bodies as small rural towns and rural water districts they are unable to provide the needed revenue required by commercial-type investors. Hence, if rural areas are to be served with satisfactory water supplies and distribution systems which are essential factors in maintaining our rural health and economy, it will be largely through the credit available under Federal programs.

Of significant importance in addition to the new authorizations to serve small towns and rural communities is the authorization to make or insure loans to associations for shifts in land use. Generally, such shifts in land use will result in a reduction in the production of crops that are in surplus supply. This will enable small towns and non-profit organizations to obtain loans through the Farmers Home Administration for the purpose of developing recreational facilities, such as community swimming pools, little league baseball fields, fishing lakes, and many other facilities for healthful outdoor recreation which can be enjoyed by families living in the community and surrounding urban areas. The demand for shifts in land use appears

to be increasing rapidly as rural communities which have long been in need of revitalization seek to provide important public improvements. A lack of credit for such improvements has plagued rural areas for many decades.

An increase in the authorized amount of insured loans will reduce the need for direct Government loan funds for farm ownership and soil and water loans. During fiscal 1964, the obligation of direct funds was discontinued for several months while \$200 million of insured loan authority was available. Under current money market conditions an increase in the insured loan authorizations would permit meeting the credit needs of more of the applicants for farm-ownership and soil and water loans with insured funds and would thus effect a savings in sums authorized to be obligated for direct loans. However, to effectively operate the proposed increased program of insured loans, we propose that the present limit of \$25 million of loans made from the fund and not disposed of at any one time be increased to \$50 million. To accomplish this result, section 309(f)(1) of the act should be amended by striking the figure "\$25,000,000" and inserting in lieu thereof the figure "\$50,000,000."

The proposed increase from \$25 million to \$50 million in the limitation on the amount of loans that may be made out of the insurance fund, but not sold and insured at any one time, is necessary to prevent undue delays in closing loans for eligible applicants. Under the present \$200 million annual authority to insure loans approximately \$15 million of the \$25 million limitation is encumbered at all times. This encumbrance is the result of a time elapse between the date the insurance fund issues loan checks and the date the notes for such loans are received by the insurance fund. This time elapse is required for closing of loans in the field offices. After the notes are received by the insurance fund they are sold to investors as soon as possible, thereby keeping the loans in the fund at any one time below the present \$25 million limitation. The proposed increase in the annual loan insurance authority from \$200 million to \$450 million if enacted would cause the amount of loans that would normally be in the insurance fund to exceed the \$25 million limitation because of the time required between issuance of checks and receipt of notes for sale. Therefore, unless the limitation is increased, loan making activities will be delayed. It would also be desirable to be able to accumulate some notes in the insurance fund so that large orders from investors could be filled more expeditiously. The change to \$50 million would not permit additional loans to be made above the annual legislative ceilings and it would not add any additional cost to the Government.

We also recommend that section 308 be amended in clause (a) by striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note;" and by striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan." Also, section 309(e) of such act should be amended by striking out, "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof, "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan,

of any charge collected in connection with the insurance of loans; and any remainder of any such charge."

These changes are necessary to assure a continuing availability of private funds for the making of insured loans or the purchase of loans made out of the fund to be sold and insured, because of fluctuations in the investment market. Under these changes the yield to the investor could be made comparable to the yield of other obligations on the market. By varying the amount retained by the Secretary out of payments by the borrower, the amount payable to the investor could be increased without sale of the loan at less than the balance due on the obligation at the time of the sale. The amount to be retained would be determined by the Secretary at the time of loan closing or original sale out of the fund and could be varied upon resale of the loan after repurchase by the Secretary pursuant to the repurchase agreement in the insurance endorsement. The period of nonredemption by the Secretary would be left to the discretion of the Secretary as a further aid in the sale and insurance of loans.

The flexibility proposed in the foregoing changes is essential in order to enable the Secretary to adjust the rate of return to the lender and the period of nonredemption in accordance with the changing conditions of the money market and thus attract the investment of private funds in these insured loans.

The need for funds for salaries and other administrative expenses will be increased for fiscal year 1966. In order to provide for processing loan applications and servicing the increased number of insured loans which would be authorized under the proposed increase of \$250 million, additional personnel will be needed throughout the United States.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary*.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961

* * * * *

SUBTITLE A—REAL ESTATE LOANS

* * * * *

SEC. 308. Loans under this subtitle may be insured by the Secretary, aggregating not more than ~~[\$200,000,000]~~ *\$450,000,000* in any one year, whenever funds are advanced or a loan is purchased by a lender other than the United States. In connection with insurance of loans, the Secretary—

(a) is authorized to make agreements with respect to the servicing of loans insured hereunder and to purchase such loans on

such terms and conditions as he may prescribe, [except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note;] and

[(b) shall retain out of payments by the borrower a charge at a rate determined by the Secretary from time to time equivalent to not less than one-half of 1 per centum per annum on the principal unpaid balance of the loan.]

(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan.

SEC. 309. (a) The fund established pursuant to section 11(a) of the Bankhead-Jones Farm Tenant Act, as amended, shall hereafter be called the Agricultural Credit Insurance Fund and is hereinafter in this subtitle referred to as the "fund". The fund shall remain available as a revolving fund for the discharge of the obligations of the Secretary under agreements insuring loans under this subtitle and loans and mortgages insured under prior authority.

(b) Moneys in the fund not needed for current operations shall be deposited in the Treasury of the United States to the credit of the fund or invested in direct obligations of the United States or obligations guaranteed by the United States. The Secretary may purchase with money in the fund any notes issued by the Secretary to the Secretary of the Treasury for the purpose of obtaining money for the fund.

(c) The Secretary is authorized to make and issue notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations under this section and for authorized expenditures out of the fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the notes issued by the Secretary under this subtitle. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and, for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purpose for which such securities may be issued under such Act, as amended, are extended to include the purchase of notes issued by the Secretary. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States.

(d) Notes and security acquired by the Secretary in connection with loans insured under this subtitle and under prior authority shall become a part of the fund. Notes may be held in the fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof at the balance due thereon, or on such other basis as the Secretary may determine from time to time. All net proceeds from such collections, including sales of notes or property, shall be deposited in and become a part of the fund.

(e) The Secretary shall deposit in the fund [such portion of the charge collected in connection with the insurance of loans at least

equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge] *all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge shall be available for administrative expenses of the Farmers Home Administration, to be transferred annually and become merged with any appropriation for administrative expenses.*

(f) The Secretary may utilize the fund—

(1) To make loans which could be insured under this subtitle whenever the Secretary has reasonable assurance that they can be sold without undue delay, and may sell and insure such loans. The aggregate of the principal of such loans made and not disposed of shall not exceed **["\$25,000,000"]** *\$50,000,000* at any one time;

* * * * *



H. R. 5075

[Report No. 115]

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 17, 1965

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

MARCH 1, 1965

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. That section 308 of the Consolidated Farm-
4 ers Home Administration Act of 1961 is amended by strik-
5 ing out the figure “\$200,000,000” and inserting in lieu
6 thereof the figure “\$450,000,000”.

7 SEC. 2. That section ~~308(d)~~ 308(a) of the above cited
8 Act is amended by striking out “except that no agreement
9 shall provide for purchase by the Secretary at a date sooner
10 than three years from the date of the note;”.

1 SEC. 3. That section 308 (b) of the above cited Act is
2 amended by striking out the entire subsection (b) and in-
3 serting in lieu thereof a new subsection (b) as follows: “(b)
4 may retain out of payments by the borrower a charge at a
5 rate specified in the insurance agreement applicable to the
6 loan.”

7 SEC. 4. That section 309(e) of the above cited Act is
8 amended by striking out “such portion of the charge collected
9 in connection with the insurance of loans at least equal to a
10 rate of one-half of 1 per centum per annum on the outstand-
11 ing principal obligations and the remainder of such charge”
12 and inserting in lieu thereof “all or a portion, not to exceed
13 one-half of 1 per centum of the unpaid principal balance of
14 the loan, of any charge collected in connection with the insur-
15 ance of loans; any remainder of any such charge”.

16 ~~SEC. 4~~ SEC. 5. That section 309 (f) (1) of the above
17 cited Act is amended by striking the figure “\$25,000,000”
18 and inserting in lieu thereof the figure “\$50,000,000”.

89TH CONGRESS
1ST SESSION

H. R. 5075

[Report No. 115]

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such Act.

By Mr. Poage

FEBRUARY 17, 1965

Referred to the Committee on Agriculture

MARCH 1, 1965

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

March 15, 1965

15. FARM LOANS. Passed, 217-113, under suspension of the rules, H. R. 5075, to authorize an increase from \$200 million to \$450 million in the annual limitation on insured real estate loans under the Consolidated Farmers Home Administration Act. pp. 4868-70
- Passed under suspension of the rules H. R. 4152, to amend the Federal Farm Loan Act and the Farm Credit Act of 1933 so as to provide means for expediting the retirement of Government capital in the Federal intermediate credit banks, including an increase in the debt permitted such banks in relation to their capital and provision for the production credit associations to acquire additional capital stock therein, and to provide for allocating certain earnings of such banks and associations to their users. pp. 4866-8
17. WATER RESOURCES. The Interior and Insular Affairs Committee reported with amendments H. R. 1111, to provide for the optimum development of the Nation's natural resources through the coordinated planning of water and related land resources, through the establishment of a water resources council and river basin commissions, and by providing financial assistance to the States in order to increase State participation in such planning (H. Rept. 169). p. 4928
18. RESEARCH. Rep. Roush spoke on the geographic distribution of the research and development fund calling particular attention to "the adequate use of our Nation's scientific manpower." p. 4876
19. FTC. Rep. Evins, Tenn., paid tribute to the Federal Trade Commission on its 50th anniversary. pp. 4876-8
20. FARM INCOME. Rep. Findley claimed the Administration's "action in dumping of massive quantities of Government grain stocks is a principal reason for the latest decline in net income for I. inois farms." p. 4896
- Rep. Langen stated "the agricultural situation in this country continues its steady deterioration" and inserted an "Independent Bankers Association Agriculture Committee Position Paper on the Rural Economy." pp. 4897-8
21. INTERGOVERNMENTAL RELATIONS. Rep. Fountain commended and inserted a compilation, "Excerpts From Gubernatorial Messages Which Would Carry Out Recommendations of the Advisory Commission on Intergovernmental Relations," including items on water resources planning and water pollution. pp. 4909-12
22. FARM PROGRAM. Rep. Hansen, Iowa, inserted excerpts from an address by the president of the National Farmers Union on the "role of America in a technological world." pp. 4920-1
23. MANPOWER. The Education Committee reported with amendment H. R. 4257, to amend the Manpower Development and Training Act of 1962, as amended (H. Rept. 170). p. 4928
24. FLOOD CONTROL. Received a Mont. State Legislature memorial requesting "that certain provisions of Public Law 566 be enlarged to fit the needs of the State of Montana and other western States by raising the flood control allowance to 12,500 acre-feet, the reservoir limitation to 40,000 acre-feet, and the water shed drainage area to 400,000 acres." p. 4930

25. TOBACCO; HEALTH. Received a Wash. State Legislature memorial asking support of "legislation requiring that cigarettes be labeled as hazardous to health." p. 4931
26. SOIL CONSERVATION; USER CHARGES. Reps. Hall, Hansen (Idaho) and Tupper criticized the proposed user charge on SCS technical assistance to farmers and ranchers. pp. 4882, 4884, 4898.
27. APPROPRIATIONS. Received from the President supplemental appropriation estimates for the fiscal year 1965 for the Appalachian Regional Development Program (H. Doc. 110), which includes \$42,840,000 for agencies of this Department. Attached to this Digest is a table showing the composition of the items for this Department. As submitted, the estimates would provide funds for the balance of the fiscal year 1965 and through the fiscal year 1966.p. 4928
- Received from the President supplemental appropriation estimates for the fiscal year 1965 which include: items for the Forest Service for the repair or replacement of Government-owned improvements and facilities lost or damage in recent flood disasters (H. Doc. 111). The estimate includes \$4,200,000. for "Forest land management" and \$2,000,000 for "Forest roads and trails." p. 4928

ITEMS IN APPENDIX

28. CIVIL SERVICE. Sen. Yarborough inserted an article paying tribute to John W. Macy, Chairman of the Civil Service Commission. pp. A1148-9
29. ELECTRIFICATION. Extension of remarks of Rep. Evins favoring the appointment of Paul H. Tidwell, as the new president of the National Electric Cooperative Association. pp. A1149-50
30. FARM ECONOMY. Extension of remarks of Rep. Callan stating that "The economy of this country can well afford to support agricultural programs", and "...we cannot afford to overlook the contributions of American Agriculture." pp. A1154-5, A1170-1
31. FARM LABOR. Rep. Teague, Calif., inserted an article, "Harvest of Sham", outlining the problem faced by our agricultural industry. pp. A1163-4
32. COMMUNITY DEVELOPMENT. Extension of remarks of Rep. MacGregor favoring the Republican sponsored bill to provide for the creation of an Office of Community Development in the Executive Office of the President. pp. A1164-5
33. WILDLIFE. Rep. Dingell inserted an article, "Congressman Aspinall and Saylor Honored by Wildlife Federation." pp. A1168-9
34. OPINION POLL. Rep. Fisher inserted the results of an opinion poll, including Appalachia, aid to education and Federal expenditures. p. A1180
35. GUAM. Rep. Saylor inserted an address advocating a free port for Guam, and stating that agriculture was once the "backbone of island economy." pp. A1180-1

ment of Government capital in the Federal intermediate credit banks, including an increase in the debt permitted such banks in relation to their capital and provision for the production credit associations to acquire additional capital stock therein, to provide for allocating certain earnings of such banks and associations to their users, and for other purposes.

The Clerk read as follows:

H.R. 4152

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Farm Loan Act, as amended, is hereby amended—

(a) by inserting immediately before the semicolon at the end of paragraph (1) of section 202(a) thereof (12 U.S.C. 1031(1)) the following: "or without collateral to the extent authorized under rules and regulations prescribed by the Farm Credit Administration";

(b) by striking out "Provided" and all that follows it in section 203(a) thereof (12 U.S.C. 1041) and substituting therefor the following: "Provided, That the aggregate amount of the outstanding debentures and similar obligations issued by the Federal intermediate credit banks shall not exceed fifteen times the surplus and paid-in capital of all such banks.";

(c) in section 205(a) thereof (12 U.S.C. 1061(a))—

(i) by substituting "one-eighth" for "one-sixth" in the ninth sentence of paragraph (1); and

(ii) by inserting the following as two separate paragraphs between the eleventh and twelfth sentences of paragraph (2):

"Each Federal intermediate credit bank, with the approval of the Farm Credit Administration, may determine the amount of additional class B stock in the bank to be subscribed for by the production credit associations in the farm credit district served by the bank in order to provide capital to meet the credit needs of the bank. The amount so determined shall be allotted among the production credit associations in the district upon such basis that, as nearly as may be practicable, the sum of the class B stock already owned and the additional amount to be subscribed for by each association will be in the same proportion to the total amount of class B stock already owned and to be subscribed for by all of the associations in the district that the average indebtedness (loans and discounts) of each association to the bank during the immediately preceding three fiscal years is of the average of such indebtedness of all production credit associations to the bank during such three-year period. Each production credit association shall subscribe for class B stock in the bank in the amount so allotted to it. Such subscriptions shall be subject to call and payment therefor shall be made at such times and in such amounts as may be determined by the bank.

"Whenever the relative amounts of class B stock in a Federal intermediate credit bank owned by the production credit associations differ substantially from the proportion indicated in the preceding paragraph, and additional subscriptions to class B stock through which such proportion could be reestablished are not contemplated, the Federal intermediate credit bank, with the approval of the Farm Credit Administration, may direct either separately or in combination such transfers, retirements, and reissuance of outstanding class B stock among the associations as will reestablish the aforesaid proportion as nearly as may be practicable. Outstanding class B stock which is transferred or retired for this purpose shall be the oldest stock held by the association and

the bank shall pay the association therefor at the fair book value thereof not exceeding par and collect therefor from any production credit association to which such stock is transferred or reissued."; and

(d) in section 206 thereof (12 U.S.C. 1072)—

(i) by striking out "equal to 25 per centum of the outstanding capital stock and participation certificates of the bank" from clause (3) of the first sentence of subsection (a);

(ii) by striking out the second sentence of subsection (a) and inserting in lieu thereof as a separate paragraph the following:

"Amounts applied to reserve account as provided in (3) above, either heretofore or hereafter, shall be allocated on the same patronage basis and have the same tax treatment as is provided in subsection (b) of this section for patronage refunds. Such allocations of reserve account shall be subject to a first lien as additional collateral for any indebtedness of the holders thereof to the bank and in any case where such indebtedness is in default may be retired and canceled for application on such indebtedness, and, in case of liquidation or dissolution of a holder thereof, such reserve account allocations may be retired, all as is provided for capital stock and participation certificates in section 205 of this Act. At the end of any fiscal year that the reserve account of any bank exceeds 25 per centum of its outstanding capital stock and participation certificates, such excess may be distributed, oldest allocations first, in class B stock and participation certificates issued as of the date of the allocations and, whenever the bank has no class A stock outstanding, also in money."; and

(iii) by inserting immediately before the last sentence of subsection (c) the following new sentence: "Any of the reserve established pursuant to subsection (a) of this section shall be paid to the production credit associations and other financing institutions to which such reserve is allocated on the books of the bank."

SEC. 2. The Farm Credit Act of 1933, as amended, is amended—

(a) by adding the following at the end of subsection (b) of section 22 thereof (12 U.S.C. 1131f (b)): "When so specified in the approval by the Federal intermediate credit bank, such dividends may be paid even though the amount in the surplus account provided for in subsection (a) is less than the minimum prescribed by the bank. If the bylaws of a production credit association so provide, (1) any remaining net earnings at the end of a fiscal year may be distributed on a patronage basis in class A stock of the association and, when the United States does not hold class A stock in the association, also in money, and (2) any part of the earnings for the fiscal year, in excess of operating expenses held in the surplus account, may be allocated to borrowers on a patronage basis. With the approval of the Federal intermediate credit bank, amounts so allocated may be distributed, oldest allocations first, in class A stock of the association issued as of the date of the allocation and, when the United States does not hold class A stock in the association, also in money. As used in the second preceding sentence 'on a patronage basis' means in the proportion that the amount of interest earned on the loans of each borrower bears to the total interest earned on the loans of all borrowers during the fiscal year."; and

(b) by adding the following as a separate paragraph at the end of section 23 thereof (12 U.S.C. 1131g):

"As a further means of providing capital, a production credit association may, upon such terms and conditions as may be provided in its bylaws, require borrowers to invest in an equity reserve in the association. Amounts so invested by each borrower shall be subject to a lien for the indebtedness of the borrower to the association, applica-

tion on such indebtedness in event of default by the borrower, charges for losses of the association which are in excess of other loss reserves and surplus, and any portion of the amounts so invested which have not been so used and no longer are required for the purposes of the association may be returned to the borrower by revolving or retirement, all as may be provided in said bylaws."

The SPEAKER. Is a second demanded?

Mr. GROSS. Mr. Speaker, I demand a second in order to assure that there will be some explanation of this bill.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. POAGE. Mr. Speaker, this bill is a reorganization of the Federal Farm Loan and Farm Credit Act of 1933. This bill relates primarily to the intermediate credit banks and the production credit associations.

Mr. Speaker, in order that the membership may understand what is involved I should go back and point out that at the time of the organization of this credit system we created the intermediate credit banks and the production credit associations and the Federal Government advanced all the capital stock. But it contemplated then and it has been contemplated ever since that ultimately we would transfer this stock to farmers who were participating in the system—that is borrowing money from the system—to the end that ultimately this would become a complete cooperative undertaking.

Mr. Speaker, as far as the production credit associations are concerned that has almost been completed. There are only two in the United States that have any Federal capital in their structure at the present time. That total amount there is only \$41,000.

But, Mr. Speaker, in the intermediate credit banks, the institutions which rediscount the loans of the production credit associations, there is a very substantial amount of Federal capital. I believe there is some \$70 million of Federal money still in the intermediate credit banks.

In 1956 this Congress undertook to provide a system whereby the local associations would pay that out to the Federal Government, and that system has worked all right, except that as the increased demand for farm credit, just like the increased demand for all credit, has developed. We have found that the Federal Government had to put new capital into these banks from time to time just to hold its own as it were, in order to meet the growing demand for loans.

Mr. Speaker, this bill requires even greater participation on the part of the local borrowers and the local production credit associations. It requires they take their dividend moneys that they previously received and pay them in and buy the Government stock. Ultimately this will assure the removal of all of the Government investment in the intermediate credit banks and in the production credit associations.

Mr. Speaker, there is one other major item in this bill and it is in here for the purpose of enabling the bank to carry their present load of financing without

calling for more Government capital and that is, we increase the lending authority of the intermediate credit banks from 10 times their present net worth to 15 times their net worth.

Frankly, Mr. Speaker, your committee knows no more than the other Members of Congress about the workings of that procedure, but we have been assured by the Governor of the Farm Credit Administration and by the presidents of several of the intermediate credit banks that in their opinion this is a perfectly safe procedure. Therefore, as we see it, there cannot be any possibility of loss by doing this. It is in keeping with the general policy that has been going on over this country of making credit easier to all of the people over the country.

Mr. Speaker, we hope that the Members of the House will approve this program to transfer the ownership of these banks into the farmers' hands just as rapidly as there are earnings with which the transfer can be effected, to take these institutions out of the field of Government investment and making them 100 percent farmer owned, like our land bank system is at the present time.

For those who are not familiar with it, the land bank system was started on exactly the same basis as the intermediate credit banker. Today farmers have paid out every dollar of the Government's capital in the land bank system. That is entirely a cooperative operation with no Government money whatsoever in the system. That is what we want to make of the entire farm credit system. This bill is an important step.

Mr. GROSS. Mr. Speaker, I yield 5 minutes to the gentleman from Indiana [Mr. HARVEY].

Mr. HARVEY of Indiana. Mr. Speaker, my request for time is only to supplement the remarks of the gentleman from Texas, who has very thoroughly and adequately explained the purposes of this bill.

I think it should be stated first of all this is one bill that the Committee on Agriculture brings to the floor of the House with, so far as I know, unanimous approval not only of Members on both sides of the aisle, so far as the committee is concerned, but it has the endorsement of all the major farm organizations that are interested as well.

Newer Members ask me to explain the difference between the Farm Credit Administration and the Farmers Home Administration. The Farm Credit Administration, as the gentleman from Texas explained, is almost entirely farmer owned. There are certain segments that are already entirely farmer owned.

The Farm Credit Administration is organized in somewhat similar fashion to our Federal Reserve System, so that there is not only adequate supervision, but through this system adequate capital is available.

This is not Government money. They go into the open market and sell their debentures, they furnish financing by pooling their requirements and their resources.

The Farmers Home Administration, of course, is an entirely different setup. The Farmers Home Administration is

organized for the benefit of making loans from Government funds to farmers who might not otherwise have any other source of credit, either to purchase a farm or to equip a farm. They are given what we term a "soft loan." It should also be said in fairness that through the years the Farmers Home Administration has likewise a very remarkable record of repayment of loans. The losses have been virtually nil.

Through the efforts of the Farmers Home Administration many young men have been enabled to become farmers, to own a farm, and to own the farm equipment that probably they might not have been otherwise able to do. In this instance the legislation involves some minor changes in the operation of the Farm Credit Administration.

I feel that the bill is a good one. I know of no opposition to it, and I hope it will receive the complete support of the House.

Mr. GROSS. Mr. Speaker, I yield 1 minute to the gentleman from Kansas [Mr. DOLE].

Mr. DOLE. Mr. Speaker, I rise in support of H.R. 4152.

The purpose of this bill is to enable the intermediate credit banks and the production credit associations to better serve the expanded needs of farmers and ranchers while simultaneously reducing or eliminating the need for more Government capital in the Farm Credit System.

The farm credit system is an independent agency of Government apart from the Department of Agriculture. It is composed of the banks for cooperatives, 12 Federal land banks, 12 intermediate credit banks, 763 Federal lands bank associations, and 487 production credit associations.

From 1923 to 1956 the Federal intermediate credit banks were owned entirely by the U.S. Government. Starting in 1957 pursuant to the Farm Credit Act of 1956, the capital stock of these banks was divided into class A stock which was held by the Governor of the Farm Credit Administration for the U.S. Government and class B stock which was issued only to production credit associations.

Under the 1956 act, a complex formula was established to encourage the retirement of Government-owned capital in the intermediate credit banks. This formula has not worked as rapidly as is desirable, and in spite of substantial growth, they now have \$33.2 million more Government capital today than they did on January 1, 1957.

This bill proposes to change the 10 to 1 debt to capital ratio now permitted under the 1956 formula to 15 to 1. The effect of this change will be to allow these banks to have outstanding obligations for their benefit and account equal to 15 times their paid-in capital and surplus. Therefore it is hoped they will not have to draw as much Government capital out of the revolving fund available for that purpose.

The bill also provides for the mandatory retirement of Government capital in these banks and it provides for additional purchases of class B stock by the

PCA's which are now almost entirely farmer owned.

The bill was unanimously approved by the Subcommittee on Conservation and Credit on February 17, and it received the unqualified support of all farm organizations. The full Committee on Agriculture unanimously approved the bill February 25.

(Mr. DOLE asked and was given permission to revise and extend his remarks.)

The SPEAKER. The question is, will the House suspend the rules and pass the bill, H.R. 4152?

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

INCREASE FHA LOAN FUND LIMITATION

Mr. POAGE. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 5075) to amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such act, as amended.

The Clerk read the bill, as follows:

H.R. 5075

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. That section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by striking out the figure "\$200,000,000" and inserting in lieu thereof the figure "\$450,000,000".

SEC. 2. That section 308(a) of the above cited Act is amended by striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note;"

SEC. 3. That section 308(b) of the above cited Act is amended by striking out the entire subsection (b) and inserting in lieu thereof a new subsection (b) as follows: "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan."

SEC. 4. That section 309(e) of the above cited Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; any remainder of any such charge".

SEC. 5. That section 309(f) (1) of the above cited Act is amended by striking the figure "\$25,000,000" and inserting in lieu thereof the figure "\$50,000,000".

The SPEAKER. Is a second demanded?

Mr. HARVEY of Indiana. Mr. Speaker, I demand a second.

The SPEAKER. Without objection, a second will be considered as ordered.

There was no objection.

Mr. POAGE. Mr. Speaker, this is the other part of the matter relating to the farmers' credit which the gentleman from Indiana referred to a moment ago.

This relates to the Farmers Home Administration.

It happens that this relationship does not relate to the loans that are financed out of the Government Treasury. There is a loan guaranteed by the Farmers Home Administration which involves private, not Government money. In fact, the matter to which we directed our attention in this important legislation is the authority of the Farmers Home Administration to guarantee loans. At the present time that authority extends to \$200 million in loans.

Those are real estate loans. Those are the loans that are made to enable a tenant to buy a home. They are the loans that are made to develop rural property that is owned by rural families. They are the loans that are made under the water facilities provision that enables the rural people to secure loans for the development of rural water facilities.

This water facilities program is one of the most rapidly expanding programs we now have. I think it has proven it is one of the best and most effective programs we have had developed since the days of REA. It is bringing thousands of rural homes the benefit of running water. But it does it at the expense of the local association, not at the expense of the Government, because these loans are all repayable and are being repaid.

These particular loans carry an interest rate which is ordinarily 4.5 percent. These loans are being made as far as they can within the limits of the \$200 million on the basis of using the funds that are advanced by private lenders and guaranteed by the Farmers Home Administration. There is a charge which has been in the past one-half of 1 percent, which charge has resulted in the accumulation of a surplus or a profit of approximately \$14 million in the hands of the Government.

It seems to me that this is probably the greatest bargain that the Government gets anywhere in the way of financing these loans. Now instead of costing the Government a dime we have a profit of almost \$14 million on the transactions, and the people who are receiving the loans are receiving all the help they would have received had the loans been made from the U.S. Treasury. I think that is a splendid record, one which we should continue.

It is obvious that in connection with these loans which, like our other operations, rural or urban, there is a requirement for more and more capital. You cannot buy a farm today for what you could buy it in 1948, not for two or three times what you would have paid then.

You cannot build a water system for what you could build it in 1948. It would probably cost two or three times what it cost in 1948. The result is that where the \$200 million seemed adequate in 1948, it is thoroughly inadequate today. What we have done under the terms of this bill is to increase from \$200 million to \$450 million the authority to make this kind of guaranteed loan.

Along with that we have of necessity given the Secretary the authority to make such adjustments so as to make the operation of this larger amount a practical proposition. That is what we mean when we say, we changed the figure from \$25 million to \$50 million. That is the revolving fund. That is the fund of loans which the FHA has made and which it has not yet placed in the hands of private borrowers. You understand that the Farmers Home Administration does not go out and simply find a farm on which a few thousand dollar loan is sought and say, "Now will somebody in the community lend \$3,000 on this farm?" To do that would, of course, bog us down in interminable redtape. What they do is to take a whole group of these loans, maybe a million dollar worth and take them to some lending agency, probably a life insurance company, and say, "Here is a million dollars worth of these loans. Do you want them?" And the life insurance company says, "Yes, we will take a million dollars worth" or a million and one-half dollars worth or \$500,000 worth and the FHA writes the guarantee on the entire group. It assembles large amounts of these loans before it makes these guarantees to the insurance companies. Since we are more than doubling the volume of loans, we felt that we had to at least double the amount of this revolving fund.

Then we have here too the proposition that the old law provided a specific charge of one-half of 1 percent for this, and we provide here that the Secretary may charge something less than one-half of 1 percent for this service because we believe as the volume of the servicing increases, the charge can be decreased. That is an economic law that we believe applies all across the board.

We have also provided that the Secretary is not bound by the 3-year limitation that we have had in the law. We required him to wait 3 years before he could redeem any loan. We have removed that provision to give him a little more leeway.

Mr. HALL. Mr. Speaker, will the gentleman yield?

Mr. POAGE. I yield to the gentleman.

Mr. HALL. I would simply like to ask the gentleman from Texas one question, after first stating that I am thoroughly in favor of this bill and I am well aware that the FHA loans have a 106-percent history of repayment. At least that is the record of repayments in my State. Of course, I am well aware of the valuable work that they do. I even agree that perhaps the revolving fund should be extended in the form of insured lending authority to this amount especially since it does not involve moneys from the Treasury.

But my question is this. I have had complaints since the last election in counties where there were only two qualified attorneys that in many instances one attorney has been removed on a patronage basis or for some such reason which I do not thoroughly understand never having been in the position of the

majority in my relatively short term in the Congress. But this leads to discrimination or at least the designation of one lawyer. Of course, I am not a lawyer either and so maybe I just need to be educated in that regard. As I say, it leads to the designation of one lawyer who passes on the titles and the loans and the abstracts before the legal arrangement is made with the FHA or the local banking authority.

My question is this: If this is true, much as I eschew such action in both parties, ordinarily, will this simply give an extra \$250 million worth of money to play with, in an otherwise perfectly good program, which might become a patronage bank?

Mr. POAGE. I would say that the gentleman from Missouri raises a very difficult question, and one for which I do not believe we have a perfect answer.

I do not believe this bill will affect the problem one way or another. It will neither aggravate nor diminish the problem.

It may be some comfort to the gentleman to realize that the problem exists, whether there are one or two parties in the area. It gets onto a personal basis, as well as a party basis. The same problem has developed in my State.

Mr. HALL. It even gets on a financial basis, and when the pocketbook is cut off it hurts either one or both parties.

This is an otherwise excellent program. I believe the gentleman from Texas has explained the bill adequately, and I believe the gentleman would agree the program should not be fouled up by too much of that.

Mr. POAGE. I certainly agree. I would point out what has been done by our State administrator, which I believe is along the right line.

Our State office publishes a list of qualified attorneys, which is available to anyone, wherever anyone is organizing a water facility. Most of these attorney fights are with regard to the water facilities, and we have the same problem with engineers.

Our State office has required the bar association to approve the people on the list. They put anybody on who gets that approval.

Mr. HALL. I thank the gentleman for his explanation and for yielding to me. I hope this becomes a national effort.

Mr. HARVEY of Indiana. Mr. Speaker, in furtherance of the very adequate explanation made by the gentleman from Texas, which was further enlightened by the question of the gentleman from Missouri, I wish to say that while our good chairman is correct that the Farmer's Home Administration is not directly responsible for making loans of actual treasury funds, nonetheless, such debentures as are sold or handled through the Farmers Home Administration do bear the complete and full responsibility of the U.S. Government. So they are in the form, I suppose one would say, really of Government credit. That is the interpretation I intended to put on it.

In accord with the explanation I made in connection with the prior bill, I wish to reiterate that I believe this is an excellent bill.

I have had some misgivings about the extension of the activities of the Farmer's Home Administration in the area of recreation. I feel, however, that the administrator is proceeding slowly in this area, and carefully. I hope, even though we may have a few "bloopers" in this area, that out of the experience we have acquired we will be able to determine just what areas of recreation the Farmers Home Administration can properly enter and the type of loans they can properly make, and that the fine record of the Farmer's Home Administration will not be lowered by this new field of credit.

Mr. DOLE. Mr. Speaker, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Kansas.

Mr. DOLE. I merely point out that a similar bill did pass the House last year, too late for action to be taken by the other body.

I also rise in support of H.R. 5075.

Mr. Speaker, the purpose of this bill is to increase from \$200 million to \$450 million the aggregate amount of loans that may be insured each year by the Farmers Home Administration for farm ownership and soil and water conservation.

Under the insured loan program, FHA does not lend money directly; it merely guarantees or insures lenders that in case of nonpayment, the FHA stands behind the loan and is willing to meet the obligations of the defaulted lender.

Hearings on H.R. 2468, a similar bill, were held by the Subcommittee on Conservation and Credit on February 17, and the subcommittee unanimously approved the clean bill, H.R. 5075, which incorporates several technical amendments requested by the Department of Agriculture.

All farm organizations appeared before the subcommittee and supported the purposes of this legislation.

The Farm Bureau testified in favor of an adequate increase and pointed out that—

In light of the present budgetary situation, we would be inclined to support the President's budget message recommendation of increasing the authority for insured loans by \$100 million.

The subcommittee was informed that the President approved the increase to \$450 million on the day our hearings were held.

Last year the House passed H.R. 7073 which also increased FHA insured loan authority from \$200 million to \$450 million. The bill died in the other body. The Department also recommended only a \$100 million increase last year and pointed out that such an increase would entail an additional administrative cost of \$5 million annually.

(Mr. DOLE asked and was given permission to revise and extend his remarks.)

Mr. MATSUNAGA. Mr. Speaker, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Hawaii.

Mr. MATSUNAGA. Mr. Speaker, I

rise in support of H.R. 5075 and to commend the gentleman from Texas [Mr. POAGE] for his excellent explanation of the bill. As stated by the gentleman from Texas, the purpose of this bill is to increase the limitation on the amount of loans which the Federal Government can insure under the provisions of subtitle A of the Consolidated Farmers Home Administration Act of 1961 from \$200 million to \$450 million and to facilitate the administration of the increased loan fund.

The Farmers Home Administration was created in 1937 to administer loans to farm owners and operators who were unable to secure financing from any other source. Its operation has been similar to the insured loan fund administered by the Federal Housing Administration. This program has been one of the most successful of all programs administered by the Federal Government over the years. It has enabled many thousands of individuals to own their farms or to remain on their farms when without the assistance of the Farmers Home Administration they would not have been able to do so. Of \$600 million in outstanding loans as of March 31, 1964, only \$1.7 million of loans had been foreclosed. This is only 0.28 percent of the outstanding loans—a remarkable record indeed. Furthermore, the insurance fund derived from the charging of one-half of 1 percent on the loans made by FHA had grown to over \$14 million as shown on December 31, 1964.

Due to the ceiling imposed by Congress on FHA's authority to insure loans, it has been forced to deny loans to many deserving and qualified farmers. This has crippled the effectiveness of this program designed for the American farmers. It is proposed by this bill that the insured loan fund be raised to \$450 million from the present ceiling of \$200 million annually. This increased authority will provide FHA greater flexibility for a more effective program. The lending authority of FHA is presently insufficient to allow it to make loans to meet the demand from qualified applicants. For example, as of June 30, 1964, FHA had on hand 14,837 applications for farm-owners and individual soil and water loans. This number had increased to 16,324 by December 31, 1964, despite the fact that loans were being made at the rate of 1,200 per month during that 6-month period.

The need for the increase in lending authority has been heightened by the provisions of title III of the Economic Opportunity Act which authorizes the Farmers Home Administration to make grants of \$1,500 and loans of \$2,500 to individuals who lack a credit rating acceptable for the normal FHA loan program. Mr. Speaker, the proposed measure was passed by this House under a suspension of the rules on August 17, 1964. It died with the expiration of the 88th Congress when the Senate failed to act on it in time. There should be no opposition to this bill, and I would join in urging passage of H.R. 5075.

(Mr. MATSUNAGA asked and was given permission to revise and extend his remarks.)

Mr. STALBAUM. Mr. Speaker, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Wisconsin.

Mr. STALBAUM. Mr. Speaker, I rise merely to support bill H.R. 5075. I would like to point out in my own State of Wisconsin last year there were three times as many requests for loans as there was money and that the bill we have before us would only increase the amount by slightly more than double. The gentleman from Indiana has made the point that these are obligations which the U.S. Government might be obliged to repay. I am sure he would have to agree this is more a technical obligation on the part of the Federal Government than a practical one, because history has shown, as the gentleman from Texas stated, that the insurance fund, one-half of 1 percent, which is set aside from the resale of these obligations, has been more than enough to cover any losses which have accrued. In fact, during the life of the program it has shown a profit of some \$14 million to the country. So while technically these may be obligations of the Federal Government, the practical effect historically is that there is no obligation because there are sufficient moneys set aside to cover any basic losses, at least so far, in the history of the program.

Mr. HARVEY of Indiana. Mr. Speaker, in response to the gentleman's statement, of course he is correct. However, we have to recognize that in the Farmers Home Administration we have an agency which has to operate not only in terms of what the present economic conditions are in agriculture but what they may be in the future. Certainly we must not ever forget in the event we would encounter a severe drop in the economic cycle as far as agriculture is concerned, that these would thereby become obligations of the Federal Government.

Mr. Speaker, I have no further requests for time.

The SPEAKER. The question is on the motion of the gentleman from Texas that the House suspend the rules and pass the bill H.R. 5075 with committee amendments.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

SCHOOL CONSTRUCTION OUTSIDE CONTINENTAL LIMITS

Mr. DENT. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 5874) to amend Public Law 815, 81st Congress, with respect to the construction of school facilities for children in Puerto Rico, Wake Island, Guam, or the Virgin Islands for whom local educational agencies are unable to provide education.

The Clerk read as follows:

H.R. 5874

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 10 of the Act of September 23, 1950, as

89TH CONGRESS
1ST SESSION

H. R. 5075

IN THE SENATE OF THE UNITED STATES

MARCH 16, 1965

Read twice and referred to the Committee on Agriculture and Forestry

AN ACT

To amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. That section 308 of the Consolidated Farm-
4 ers Home Administration Act of 1961 is amended by strik-
5 ing out the figure "\$200,000,000" and inserting in lieu
6 thereof the figure "\$450,000,000".

7 SEC. 2. That section 308 (a) of the above cited Act is
8 amended by striking out "except that no agreement shall
9 provide for purchase by the Secretary at a date sooner than
10 three years from the date of the note;".

1 SEC. 3. That section 308 (b) of the above cited Act is
2 amended by striking out the entire subsection (b) and in-
3 serting in lieu thereof a new subsection (b) as follows: “(b)
4 may retain out of payments by the borrower a charge at a
5 rate specified in the insurance agreement applicable to the
6 loan.”

7 SEC. 4. That section 309 (e) of the above cited Act is
8 amended by striking out “such portion of the charge collected
9 in connection with the insurance of loans at least equal to a
10 rate of one-half of 1 per centum per annum on the outstand-
11 ing principal obligations and the remainder of such charge”
12 and inserting in lieu thereof “all or a portion, not to exceed
13 one-half of 1 per centum of the unpaid principal balance of
14 the loan, of any charge collected in connection with the insur-
15 ance of loans; any remainder of any such charge”.

16 SEC. 5. That section 309 (f) (1) of the above cited
17 Act is amended by striking the figure “\$25,000,000” and
18 inserting in lieu thereof the figure “\$50,000,000”.

Passed the House of Representatives March 15, 1965.

Attest:

RALPH R. ROBERTS,

Clerk.

AN ACT

To amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A of such Act.

MARCH 16, 1965

Read twice and referred to the Committee on
Agriculture and Forestry

IN THE SENATE OF THE UNITED STATES

APRIL 13, 1965

Mr. AIKEN (for himself, Mr. MANSFIELD, Mr. ALLOTT, Mr. ANDERSON, Mr. BARTLETT, Mr. BASS, Mr. BAYH, Mr. BENNETT, Mr. BIBLE, Mr. BOGGS, Mr. BREWSTER, Mr. BURDICK, Mr. BYRD of West Virginia, Mr. CANNON, Mr. CARLSON, Mr. CHURCH, Mr. CLARK, Mr. COOPER, Mr. COTTON, Mr. CURTIS, Mr. DIRKSEN, Mr. DODD, Mr. DOMINICK, Mr. DOUGLAS, Mr. EASTLAND, Mr. ELLENDER, Mr. ERVIN, Mr. FANNIN, Mr. FULBRIGHT, Mr. GORE, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. HAYDEN, Mr. HICKENLOOPER, Mr. HILL, Mr. HRUSKA, Mr. INOUE, Mr. JACKSON, Mr. JAVITS, Mr. JORDAN of North Carolina, Mr. JORDAN of Idaho, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. KUCHEL, Mr. LAUSCHE, Mr. LONG of Missouri, Mr. LONG of Louisiana, Mr. MAGNUSON, Mr. MCCARTHY, Mr. MCCLELLAN, Mr. MCGEE, Mr. MCGOVERN, Mr. MCINTYRE, Mr. McNAMARA, Mr. METCALF, Mr. MILLER, Mr. MONDALE, Mr. MONRONEY, Mr. MONTOYA, Mr. MORSE, Mr. MORTON, Mr. MOSS, Mr. MUNDT, Mr. MURPHY, Mr. MUSKIE, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PEARSON, Mr. PELL, Mr. PROUTY, Mr. PROXMIRE, Mr. RANDOLPH, Mr. RIBICOFF, Mr. RUSSELL of South Carolina, Mr. SALTONSTALL, Mr. SCOTT, Mr. SIMPSON, Mr. SMATHERS, Mrs. SMITH, Mr. SPARKMAN, Mr. STENNIS, Mr. TALMADGE, Mr. THURMOND, Mr. TOWER, Mr. TYDINGS, Mr. WILLIAMS of New Jersey, Mr. WILLIAMS of Delaware, Mr. YARBOROUGH, Mr. YOUNG of North Dakota, and Mr. YOUNG of Ohio) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 That section 306 (a) of the Consolidated Farmers Home Ad-
2 ministration Act is amended to read as follows:

3 “(1) The Secretary is also authorized to make or insure
4 loans to associations, including corporations not operated for
5 profit, and public and quasi-public agencies to provide for the
6 application or establishment of soil conservation practices,
7 shifts in land use, the conservation, development, use, and
8 control of water, and the installation or improvement of drain-
9 age facilities, and recreational developments, all primarily
10 serving farmers, ranchers, farm tenants, farm laborers, and
11 other rural residents, and to furnish financial assistance or
12 other aid in planning projects for such purposes.

13 “(2) The Secretary is authorized to make grants aggre-
14 gating not to exceed \$25,000,000 in any fiscal year to such
15 associations to finance specific projects for works for the
16 storage, treatment, purification, or distribution of water in
17 rural areas. The amount of any grant made under the au-
18 thority of this paragraph shall not exceed the lesser of (i) 40
19 per centum of the development cost of that portion of the
20 facility necessary to enable the project to serve the area
21 which can be feasibly served by the facility and to adequately
22 serve the reasonable foreseeable growth needs of the area,
23 (ii) that portion of the development costs which are above
24 the probable ability of the association to repay a loan for
25 such purposes from income or assessments levied at a rate

1 or charge for service within the ability of a majority of the
2 users to accept and pay for such service and maintain a
3 reasonable standard of living, or (iii) that part of the develop-
4 ment cost of a facility constructed by a public body which
5 is in excess of the costs which can be financed within the
6 amount of obligations or levies permitted by law for which
7 alternate revenue financing is not available.

8 “(3) No grant shall be made under paragraph 2 of this
9 subsection in connection with any facility unless the Secre-
10 tary determines that the project (i) will serve a rural area
11 which is not likely to decline in population below that for
12 which the facility was designed, (ii) is designed and con-
13 structed so that adequate capacity will be or can be made
14 available to serve the present population of the area to the
15 extent feasible and to serve the reasonable foreseeable growth
16 needs of the area, or (iii) is necessary for orderly com-
17 munity development consistent with a comprehensive com-
18 munity water development plan of the rural area and not
19 inconsistent with any planned development under State,
20 county, or municipal plans approved as official plans by
21 competent authority for the area in which the rural com-
22 munity is located. Until October 1, 1968, the Secretary
23 may make grants prior to the completion of the compre-
24 hensive plan, if the preparation of such plan has been under-
25 taken for the area.

1 “(4) The term ‘development cost’ means the cost of
2 construction of a facility and the land, easements, and rights-
3 of-way, and water rights necessary to the construction and
4 operation of the facility.

5 “(5) No loan shall be made under this subsection which
6 would cause the unpaid principal indebtedness of any asso-
7 ciation under this Act and under the Act of August 28,
8 1937, as amended, together with the amount of any assist-
9 ance in the form of a grant to exceed \$4,000,000 at any one
10 time.

11 “(6) The Secretary may make grants aggregating not
12 to exceed \$5,000,000 in any fiscal year to any public body
13 or such other agency as the Secretary may determine having
14 authority to prepare official comprehensive plans for the de-
15 velopment of water systems in rural areas which does not
16 have funds available for immediate undertaking of the prep-
17 aration of such plan.

18 “(7) Rural areas, for the purpose of water systems,
19 shall include any area not included within the boundaries of
20 any incorporated or unincorporated city, village, or borough
21 having a population in excess of five thousand inhabitants.”

22 SEC. 2. Section 308 of the Consolidated Farmers Home
23 Administration Act of 1961 is amended by—

24 (1) striking out “\$200,000,000” and inserting in
25 lieu thereof “\$450,000,000”;

1 (2) in clause (a) striking out “except that no
2 agreement shall provide for purchase by the Secretary
3 at a date sooner than three years from the date of the
4 note”; and

5 (3) striking out clause (b) and inserting in lieu
6 thereof “(b) may retain out of payments by the bor-
7 rower a charge at a rate specified in the insurance agree-
8 ment applicable to the loan”.

9 (b) Section 309 (e) of such Act is amended by striking
10 out “such portion of the charge collected in connection with
11 the insurance of loans at least equal to a rate of one-half of
12 1 per centum per annum on the outstanding principal obliga-
13 tions and the remainder of such charge” and inserting in
14 lieu thereof “all or a portion, not to exceed one-half of 1 per
15 centum of the unpaid principal balance of the loan, of any
16 charge collected in connection with the insurance of loans;
17 and any remainder of any such charge”.

18 (c) Section 309 (f) (1) of such Act is amended by
19 striking out “\$25,000,000” and inserting in lieu thereof
20 “\$50,000,000”.

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

By Mr. AIKEN, Mr. MANSFIELD, Mr. ALLOT, Mr. ANDERSON, Mr. BARTLETT, Mr. BASS, Mr. BAYH, Mr. BENNETT, Mr. BIBLE, Mr. BOGGS, Mr. BREWSTER, Mr. BURDICK, Mr. BYRD of West Virginia, Mr. CANNON, Mr. CARLSON, Mr. CHURCH, Mr. CLARK, Mr. COOPER, Mr. COTTON, Mr. CURTIS, Mr. DIKSEN, Mr. DODD, Mr. DOMINICK, Mr. DOUGLAS, Mr. EASTLAND, Mr. ELLENDELL, Mr. EVYIN, Mr. FANNIN, Mr. FULBRIGHT, Mr. GORE, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTEKE, Mr. HAYDEN, Mr. HICKENLOOPER, Mr. HILL, Mr. HRUSKA, Mr. INOUYE, Mr. JACKSON, Mr. JAVITS, Mr. JORDAN of North Carolina, Mr. JORDAN of Idaho, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. KUCHEL, Mr. LAUSCHE, Mr. LONG of Missouri, Mr. LONG of Louisiana, Mr. MAGNUSON, Mr. MCCARTHY, Mr. MCCLELLAN, Mr. McGEE, Mr. MCGOVERN, Mr. MCINTYRE, Mr. MCNAMARA, Mr. METCALF, Mr. MILLER, Mr. MONDALE, Mr. MONRONEY, Mr. MONTGOMERY, Mr. MORSE, Mr. MORTON, Mr. MOSS, Mr. MUNDT, Mr. MURPHY, Mr. MUSKIE, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PEARSON, Mr. PELL, Mr. PROUTY, Mr. PROXMIRE, Mr. RANDOLPH, Mr. RIBICOFF, Mr. RUSSELL of South Carolina, Mr. SALTONSTALL, Mr. SCOTT, Mr. SIMPSON, Mr. SMATHERS, Mrs. SMITH, Mr. SPARKMAN, Mr. STENNIS, Mr. TALMADGE, Mr. THURMOND, Mr. TOWER, Mr. TYDINGS, Mr. WILLIAMS of New Jersey, Mr. WILLIAMS of Delaware, Mr. YARBOROUGH, Mr. YOUNG of North Dakota, and Mr. YOUNG of Ohio

APRIL 13, 1965

Read twice and referred to the Committee on
Agriculture and Forestry

ment of a historic, scenic trail and that the same be properly marked along the highways in the States of Indiana and Illinois for the purpose of perpetuating the history of the Wabash River for transportation in the discovery and settlement of the area."

The said resolution was adopted at the eighth annual meeting of the Wabash Valley Association held at the French Lick-Sheraton Hotel, French Lick, Ind., February 12, 1965. A copy of the same was instructed to be sent to each Member of the U.S. Congress and the Indiana and Illinois Legislature, and various State and Federal governmental agencies.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MAGNUSON, from the Committee on Commerce, without amendment:

S. 905. A bill to authorize the Secretary of Commerce to employ aliens in a scientific or technical capacity (Rept. No. 163).

By Mr. McNAMARA, from the Committee on Public Works, without amendment:

S. 1501. A bill amending section 107 of the River and Harbor Act of 1948, relating to the support and maintenance of the Permanent International Commission of the Congresses of Navigation (Rept. No. 164); and

S. 956. A bill to amend the act entitled "An act to provide better facilities for the enforcement of the customs and immigration laws," to extend construction authority for facilities at Guam and the Virgin Islands of the United States (76 Stat. 87; 19 U.S.C. 68) (Rept. No. 165).

REPORT ON DISPOSITION OF EXECUTIVE PAPERS

Mr. MANSFIELD (for Mr. JOHNSTON), from the Joint Select Committee on the Disposition of Papers in the Executive Departments, to which was referred for examination and recommendation a list of records transmitted to the Senate by the Archivist of the United States, dated April 2, 1965, that appeared to have no permanent value or historical interest, submitted a report thereon, pursuant to law.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. AIKEN (for himself, Mr. MANSFIELD, Mr. KENNEDY of New York, Mr. YOUNG of North Dakota, Mr. HARTKE, Mr. PROUTY, Mr. COOPER, and Mr. STENNIS):

S. 1766. A bill to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes; to the Committee on Agriculture and Forestry.

(See the remarks of Mr. AIKEN when he introduced the above bill, which appear under a separate heading.)

By Mr. BENNETT:

S. 1767. A bill to repeal the Naval Stores Act; to the Committee on Agriculture and Forestry.

S. 1768. A bill for the relief of certain individuals employed by a contractor of the Forest Service who were not paid for their services to the Committee on the Judiciary. (See the remarks of Mr. BENNETT when he introduced the first above-mentioned bill, which appear under a separate heading.)

By Mr. CASE:

S. 1769. A bill to repeal section 165 of the Revised Statutes relating to the appointment of women to clerkships in the executive department; to the Committee on Post Office and Civil Service.

(See the remarks of Mr. CASE when he introduced the above bill, which appear under a separate heading.)

By Mr. JAVITS:

S. 1770. A bill to amend the Fair Labor Standards Act to provide for an increase in the minimum wage; to the Committee on Labor and Public Welfare.

By Mr. STENNIS (for himself and Mr. SALTONSTALL):

S. 1771. A bill to authorize certain construction at military installations, and for other purposes; to the Committee on Armed Services.

By Mr. MAGNUSON (by request):

S. 1772. A bill to amend the Merchant Marine Act, 1936, to provide for the continuation of authority to develop American-flag carriers and promote the foreign commerce of the United States through the use of mobile trade fairs; and

S. 1773. A bill to repeal certain acts relating to containers for fruits and vegetables; to the Committee on Commerce.

(See the remarks of Mr. MAGNUSON when he introduced the above bills, which appear under separate headings.)

By Mr. BAYH:

S. 1774. A bill to incorporate the National Society Daughters of the Union, 1861-1865; to the Committee on the Judiciary.

By Mr. HART:

S. 1775. A bill for the relief of Erich Gansmuller; to the Committee on the Judiciary.

By Mr. DOUGLAS:

S. 1776. A bill to make section 1952 of title 18, United States Code, applicable to travel in aid of arson; to the Committee on the Judiciary.

(See the remarks of Mr. DOUGLAS when he introduced the above bill, which appear under a separate heading.)

By Mr. JAVITS:

S. 1777. A bill for the relief of Branko Ivanov; to the Committee on the Judiciary.

By Mr. MAGNUSON:

S. 1778. A bill to establish the Bureau of Commercial Fisheries and the Bureau of Sport Fisheries and Wildlife as separate services in the Department of the Interior and to abolish the U.S. Fish and Wildlife Service; to the Committee on Commerce.

(See the remarks of Mr. MAGNUSON when he introduced the above bill, which appear under a separate heading.)

By Mr. ALLOTT:

S. 1779. A bill to amend the Mineral Leasing Act of 1920 in order to provide for public records of oil and gas leases issued under such act and other instruments affecting title to such leases, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. PASTORE:

S. 1780. A bill for the relief of Joao Carlos Senra Ferreira, Jose Jorge Senra Ferreira, and Maria Goretti Senra Ferreira; to the Committee on the Judiciary.

By Mr. WILLIAMS of New Jersey (for himself and Mr. MORSE):

S. 1781. A bill to prohibit and make unlawful the hiring of professional strike-breakers in interstate labor disputes; to the Committee on Labor and Public Welfare.

(See the remarks of Mr. WILLIAMS of New Jersey when he introduced the above bill, which appear under a separate heading.)

By Mr. PROXMIER:

S. 1782. A bill for the relief of Slavka Milich; to the Committee on the Judiciary.

By Mr. HARTKE:

S. 1783. A bill for the relief of Harold Albert, Lona Sarah, Karen Therese, and Bruce Alex Arnold; to the Committee on the Judiciary.

By Mr. MAGNUSON (by request):

S. 1784. A bill to amend section 204(a)(3) of the Interstate Commerce Act respecting motor carrier safety regulations applicable to private carriers of property;

S. 1785. A bill to authorize the Interstate Commerce Commission, after investigation and hearing, to require the establishment of through routes and joint rates between motor common carriers of property, and between such carriers and common carriers by rail, express, and water, and for other purposes; and

S. 1786. A bill to amend section 1(14)(a) of the Interstate Commerce Act to insure the adequacy of the national railroad freight car supply, and for other purposes; to the Committee on Commerce.

(See the remarks of Mr. MAGNUSON when he introduced the above bills, which appear under separate headings.)

By Mr. HARTKE (for himself, Mr.

KUCHEL, Mr. RANDOLPH, Mr. HART, Mr. MONTOYA, Mrs. NEUBERGER, Mr. DIRKSEN, Mr. PELL, Mr. TYDINGS, Mr. MCGOVERN, Mr. YARBOROUGH, Mr. BREWSTER, Mr. PROUTY, Mr. MORRISON, Mr. MCGEE, Mr. MORSE, Mr. MCCARTHY, Mr. MAGNUSON, Mr. INOUE, and Mr. YOUNG of North Dakota):

S. 1787. A bill to amend title II of the Social Security Act to provide disability insurance benefits thereunder for any individual who is blind and has at least six quarters of coverage, and for other purposes; to the Committee on Finance.

(See the remarks of Mr. HARTKE when he introduced the above bill, which appear under a separate heading.)

By Mr. HARTKE:

S. 1788. A bill to provide for the establishment of a drug stamp program; to the Committee on Labor and Public Welfare.

(See the remarks of Mr. HARTKE when he introduced the above bill, which appear under a separate heading.)

PROMOTION OF RURAL WATER SUPPLY PROGRAM

Mr. AIKEN. Mr. President, with an increase of nearly a hundred million people expected in the United States during the next generation, we are faced with a problem of unprecedented magnitude.

Where will these people work?

How will they be fed?

Where will they find recreation?

In what manner will they be educated?

And, above all else, where will they live and how will they live?

If we answer one of these questions alone, we may have simply complicated our problem, much less found a solution.

The questions must be answered simultaneously and, fortunately, we, as a nation, have the means to make the answers satisfactory.

The main question is, Will we have the commonsense and the will to use it commensurate to our means and to the need?

Right now, there is a trend toward the concentration of people, of wealth, of

industry, and of political power in the great cities of this Nation.

This is an inadequate trend as well as a dangerous trend.

It is not confined to the United States alone, but probably constitutes the most dangerous crisis which the world faces today for, along with the concentration of people and wealth, we find a trend toward the baser instincts of human beings which lead to disease, poverty, delinquency, and crime.

A few days ago, I read that one of our leading architects had indicated the design for an apartment house 528 floors or 1 mile in height.

Of course, he was not planning for the immediate future, but we do hear more serious talk of residential buildings 100 or more stories high.

I find it quite disturbing that so many official and unofficial proposals of today tend to favor the largest city areas almost to the exclusion of the rural areas, where the greatest opportunity for future growth and development exists and from which most of the wealth concentrated in the cities originates.

I grant that many of the largest cities of the Nation are in desperate condition. Some of them are already financially bankrupt and, yet, they continue to spend at a rate which far exceeds their increase in revenue.

Hardly any of them could exist without heavy contributions from State and Federal sources.

I do not undervalue or depreciate the worth and importance of our larger cities.

I have consistently supported urban renewal, welfare programs and other legislation aimed at their improvement, and I expect to continue such support so long as these benefits are not inclusive.

It is inevitable that most of our large cities will get larger.

I trust they will also get better.

In thinking in terms of the future and in terms of national growth, however, it is clearly apparent that concentration of efforts on cities alone will not suffice to maintain our social or economic progress at anywhere near the necessary level.

America must spread out.

Instead of continuing the drain from rural America to the urban areas, we should make the conveniences of the cities, provided for with public funds, also available to the smaller cities, the towns and rural communities.

Only in this way can we maintain a healthy national growth and prevent the undesirable features of congested human existence from getting worse.

To a gratifying degree, Congress and the Executive Department have recognized this necessity.

The Interstate Highway System will make a great contribution to that end.

The Rural Electrification Administration has made it possible for thousands of families to remain on the farm, for many thousands of nonfarm people to enjoy the environment of country living and for industry to locate where conditions were previously prohibitive.

It is estimated that rural electrification adds about \$6 billion a year to our Nation's economy, much of which primarily benefits the people and industries of our cities.

The Hill-Burton Hospital Act has resulted in better health services.

Over much of the country, new programs have enabled country people to not only enjoy greater recreational benefits but new occupational opportunities have opened up so that commercial recreation has become one of our fastest growing enterprises.

Probably the greatest handicap to rural development today lies in the fact that thousands of communities with incalculable potential for growth can make no progress because they have no dependable water supply.

Without water, a community with good land, good industrial sites, good public facilities and good neighbors may stay practically dormant or even moribund.

This glaring deficiency of rural America is holding down national progress.

What the REA has done for our national economy could be multiplied several times over by a rural water supply program.

It was recognition of this great need that prompted the Senator from Montana [Mr. MANSFIELD] and me on January 15 to introduce Senate bill 493.

We intended to focus attention on a national need which must be met.

S. 493 proposes to amend the Rural Electrification Act to provide for rural water systems.

It also provides for Federal-State and local participation in the costs in a manner similar to the Federal Airport Act.

It is not the method, however, as much as the achievement that concerns us.

The first step toward the accomplishment of our purpose has been taken.

The proposal has been endorsed by persons from nearly every State, and more letters are being received daily.

Inasmuch as several Senators have indicated a desire to help to promote the rural water supply program and to cosponsor the proposed legislation, I now introduce a new bill on behalf of the senior Senator from Montana [Mr. MANSFIELD], the junior Senator from New York [Mr. KENNEDY], the senior Senator from North Dakota [Mr. YOUNG], the senior Senator from Kentucky [Mr. COOPER], the junior Senator from Vermont [Mr. PROUTY], the senior Senator from Indiana [Mr. HARTKE], and myself. We shall welcome the cooperation and cosponsorship of any other Senators.

The new bill, in accordance with suggestions we have received, contains several changes which we feel will make it more acceptable to the executive branch, including one to place the program under the Farmers Home Administration rather than the REA, since the REA does not make grants, but makes loans only. However, the objective of the bill remains the same.

Both bills will now be before Congress for consideration.

Inasmuch as several Senators who are not present today have indicated a desire to sponsor this legislation, I ask unanimous consent that the bill which I now introduce lie on the desk until April 26 for cosponsors. I also ask that the bill as now written be printed in the RECORD.

The PRESIDING OFFICER. The bill will be received and appropriately re-

ferred; and, without objection, the bill will lie on the table as requested, and the bill will be printed in the RECORD.

The bill (S. 1766) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes, introduced by Mr. AIKEN (for himself and other Senators), was received, read twice by its title, referred to the Committee on Agriculture and Forestry, and ordered to be printed in the RECORD, as follows:

S. 1766

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

"(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

"(2) the Secretary is authorized to make grants aggregating not to exceed \$25,000,000 in any fiscal year to such associations to finance specific projects for works for the storage treatment, purification, or distribution of water in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed the lesser of (i) 40 per centum of the development cost of that portion of the facility necessary to enable the project to serve the area which can be feasibly served by the facility and to adequately serve the reasonable foreseeable growth needs of the area, (ii) that portion of the development costs which are above the probable ability of the association to repay a loan for such purposes from income or assessments levied at a rate or charge for service within the ability of a majority of the users to accept and pay for such service and maintain a reasonable standard of living, or (iii) that part of the development cost of a facility constructed by a public body which is in excess of the costs which can be financed within the amount of obligations or levies permitted by law for which alternate revenue financing is not available.

"(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonable foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water development plan of the rural area and not inconsistent with any planned development under State, county or municipal plans approved as official plans by competent author-

ity for the area in which the rural community is located. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) The term 'development cost' means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(5) No loan shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to any public body or such other agency as the Secretary may determine having authority to prepare official comprehensive plans for the development of water systems in rural areas which does not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purpose of water systems, shall include any area not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population in excess of five thousand inhabitants."

SEC. 2. Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f)(1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000".

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. MANSFIELD. Mr. President, I am delighted to be a cosponsor of the Aiken bill which has now been reintroduced by the distinguished senior Senator from Vermont. As always, the Senator wastes no words and states succinctly and to the point exactly what he hopes to achieve.

As the Senator states, he is interested in seeing to it that adequate water supplies are brought to the rural areas of our country. In that way, at least a part of the attention which we are now giving to the urban areas will be reversed.

In my opinion, this is one of the most important bills which will come before the Congress this year. I emphasize the fact that when we talk about water these days we are talking about the most valu-

able and vital resource which this country or any other country can have.

We have indications that our water supply in our urban areas is now becoming exhausted. This morning an announcement was made to the effect that the mayor of New York City has indicated that certain restrictions would go into operation because of the lack of snow or rainfall during the winter. I point out that even in the rural areas, because of the fact that there is such a dependence on water, water is a problem. The water table all over the country is steadily being lowered.

I congratulate and commend the distinguished senior Senator from Vermont for the very wide vision he has demonstrated in this bill. I assure the Senator that I am delighted to join with him, and shall do all that I can in behalf of the Aiken bill which is now before the Senate.

Mr. AIKEN. Mr. President, I thank the Senator from Montana. The Senator is a bit modest. We got an idea simultaneously and decided to put it before the Senate in the previous bill which was introduced.

I should like at this time to add the name of the Senator from Mississippi [Mr. STENNIS] as a cosponsor of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. AIKEN. Mr. President, I am sure that many other Senators will want to have their names added. Some have already told me they would do so.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. YOUNG of North Dakota. Mr. President, I am very happy and proud to join as a cosponsor of this bill.

The bill is typical of the understanding the Senator from Vermont has of rural America. The Senator has introduced many bills along this line. Here again, the Senator is trying to solve a problem that is very important to rural America.

This is probably one of the most important pieces of legislation along this line that the Senator has introduced since the Aiken-Hope Act, which initiated the watershed program some 12 years ago. The watershed program has proved to be a beneficial and helpful program. I am sure that this bill will have the same result.

Mr. AIKEN. Mr. President, I thank the Senator from North Dakota.

Mr. LONG of Missouri. Mr. President, I would like to commend my distinguished colleague from Vermont for offering us legislation amending the Consolidated Farmers Home Administration Act of 1961. Senator AIKEN's bill would authorize the Secretary of Agriculture to make or insure loans and grants to nonprofit organizations for the cost of constructing rural water supply systems.

Mr. President, rural Americans enjoyed a vast improvement in their way of life with the coming of rural electrification. Low-cost electric power has proven a key factor in making a better

life available to America's farm people. Now, to complete the picture, we need water supply systems for rural residents.

Under the present program, we are making progress in this area. The present FHA loan program for construction of rural water systems has brought great benefits to Missouri. It was recently reported that some 11,000 rural homes in my State will soon enjoy central water supplies. More than 40 rural districts are now being organized to serve nearly 9,000 users. Villages and towns are planning systems to supply water to another 3,000 users. New districts are being formed at a rapid rate.

With Government assistance and co-operation, rural Missourians have organized to help themselves to an improved, a more modern, and a more convenient way of life.

The FHA approach to the problem of water supply for rural areas has been tried and tested. Its success is not just predicted; it is proven.

Now, an expansion and improvement of this program would allow still more rural Americans to enjoy a central water supply system.

Areas and communities not able to benefit under the existing program, could receive urgently needed assistance through its expansion.

This measure offers a positive step forward toward the administration's goal of a fuller partnership for rural America in the building and in the benefits of the Great Society.

Mr. President, I am delighted to be able to join as a cosponsor of the measure introduced by Senator AIKEN.

REPEAL OF NAVAL STORES ACT

Mr. BENNETT. Mr. President, I introduce for appropriate reference a bill to repeal the Naval Stores Act.

The title "Naval Stores Act" is somewhat misleading because this legislation applies to spirits of turpentine and rosin. The act is administered by the Department of Agriculture which sets the standards for the manufacture and distribution in interstate commerce of "Naval Stores," which only includes the aforementioned spirits of turpentine and rosin.

The Department of Agriculture, in correspondence with me, has indicated that this act is obsolete and no longer needed and that its repeal is being requested. The Department will include the repeal of the Naval Stores Act in an omnibus bill which will include several other technical changes in existing laws. Consequently, to expedite consideration and to obtain early reports from the various Government departments, I am introducing this bill to separately repeal the Naval Stores Act.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 1767) to repeal the Naval Stores Act, introduced by Mr. BENNETT, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

STRENGTHENING OF FEDERAL POLICY AGAINST DISCRIMINATION IN EMPLOYMENT ON THE BASIS OF SEX

Mr. CASE. Mr. President, the bill I send to the desk for appropriate reference is, I believe, the shortest I have ever introduced.

Though its words are few, they are significant. The purpose of the bill is to strengthen Federal policy against discrimination in employment on the basis of sex. It would do so by repealing section 165 of the Revised Statutes of the United States.

Repeal of this section is one of the legislative aims of the Business and Professional Women's Clubs of America. The national legislation chairman is, I am happy to report, Miss Emma C. McGall, a highly respected lawyer from my own county of Union, N.J. That organization has prepared a brief statement, which I ask unanimous consent to have printed at the end of these remarks.

Over the years, the women of America have made enormous strides in achieving equality of opportunity and treatment. It is a deep satisfaction to me to have had some direct part in this, for example, in helping achieve passage of the Equal Pay Act in the last Congress.

In introducing this bill, it is also a pleasure to be associated once again with the distinguished Representative from Union County, Mrs. DWYER, who is sponsoring an identical measure in the House.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the statement will be printed in the RECORD.

The bill (S. 1769) to repeal section 165 of the Revised Statutes relating to the appointment of women to clerkships in the executive departments, introduced by Mr. CASE, was received, read twice by its title, and referred to the Committee on Post Office and Civil Service.

The statement presented by Mr. CASE is as follows:

DETAILED INFORMATION RELATIVE TO B OF ITEM 1—ACTION ITEMS

(Repeal of section 165 of the Revised Statutes of the United States)

Section 165, U.S. Revised Statutes, has been incorporated into title 5, section 33, United States Code (Executive Departments and Government Officers and Employees). It reads as follows:

"Women may, in the discretion of the head of any department, be appointed to any of the clerkships therein authorized by law, upon the same requisites and conditions, and with the same compensation as are prescribed for men."

Section 165, Revised Statutes, was derived from section 2 of the Act of July 12, 1870, 16 Stat. 230, at page 250, which provided as follows:

"And be it further enacted, That the heads of the several departments are hereby authorized to appoint female clerks, who may be found to be competent and worthy, to any of the grades of clerkships known to the law, in the respective departments, with the compensation belonging to the class to which they may be appointed, but the number of first, second, third, and fourth class clerks shall not be increased by this section."

On September 17, 1934, Attorney General Homer Cummings rendered an opinion (39

Op. A.G. 77 (1934)) on a proposed amendment of section 1(a) of Civil Service Rule 7, reading:

"Certifications shall be made without regard to sex unless sex is specified in the request, and the request is approved by the Commission."

The Attorney General's opinion stated that by Revised Statute 165 (5 U.S.C. 33) the Congress has vested in appointing officers certain discretionary authority. The President is without authority to transfer that discretion to the Civil Service Commission, therefore the words "and the request is approved by the commission" must be deleted so the sentence will read:

"Certifications shall be made without regard to sex unless sex is specified in the request."

In other words, the heads of the departments had free discretion to specify sex in their request to the Civil Service Commission for certification, and the President could not authorize the Civil Service Commission to overrule them.

Attorney General Cummings' opinion was overruled by an opinion of Attorney General Robert F. Kennedy of June 14, 1962 (42 op. A.G. June 14, 1962).

There the Attorney General ruled that the President's power to prescribe rules for appointment and promotion in the Federal Civil Service derived from section 1753 of the Revised Statutes, the Civil Service Act of 1883 (22 Statutes 403) and his constitutional power as Chief Executive, includes the power to prescribe the conditions under which appointing officers of the Federal Government may consider only male or only female candidates for appointment, promotion, and other personnel action. Section 165, Revised Statutes, does not limit the constitutional and statutory authority of the President to prescribe rules regarding the eligibility of women for positions in the Federal service.

This is an archaic law which should be eliminated from the statutes.

MOBILE TRADE FAIRS

Mr. MAGNUSON. Mr. President, by request, I introduce, for appropriate reference, a bill to amend the Merchant Marine Act, 1936, to provide for the continuation of authority to develop American flag carriers and promote the foreign commerce of the United States through the use of mobile trade fairs. I ask unanimous consent to have printed in the RECORD, the letter from the Secretary of Commerce, requesting the proposed legislation.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the letter will be printed in the RECORD.

The bill (S. 1772) to amend the Merchant Marine Act, 1936, to provide for the continuation of authority to develop American-flag carriers and promote the foreign commerce of the United States through the use of mobile trade fairs, introduced by Mr. MAGNUSON, by request, was received, read twice by its title, and referred to the Committee on Commerce.

The letter presented by Mr. MAGNUSON is as follows:

THE SECRETARY OF COMMERCE,
Washington, D.C., February 16, 1965.
Hon. HUBERT H. HUMPHREY,
President of the Senate,
U.S. Senate, Washington, D.C.

DEAR MR. PRESIDENT: There are enclosed four copies of a draft bill, "to amend the Merchant Marine Act, 1936, to provide for the continuation of authority to develop

American flag carriers and promote the foreign commerce of the United States through the use of mobile trade fairs," and four copies of a Statement of Purpose and Need in support thereof.

We are advised by the Bureau of the Budget that enactment of this proposed legislation would be consistent with the administration's objectives.

Sincerely yours,

JOHN T. CONNOR,
Secretary of Commerce.

Enclosures.

STATEMENT OF PURPOSE AND NEED FOR LEGISLATION TO PROVIDE FOR THE CONTINUATION OF AUTHORITY, TO DEVELOP AMERICAN-FLAG CARRIERS AND PROMOTE THE FOREIGN COMMERCE OF THE UNITED STATES THROUGH THE USE OF MOBILE TRADE FAIRS

The purpose of the proposed legislation is to authorize continued appropriations, over a 3-year period, for the operation of the mobile trade fair program provided for by Public Law 87-839. This statute directs the Secretary of Commerce to promote and encourage the development and use of mobile trade fairs, and authorizes provision of technical and financial assistance to the operators of such fairs. As originally enacted on October 18, 1962, the statute authorized appropriation of \$500,000 per year during the period July 1, 1962 to June 30, 1965, to carry out the purposes of the act.

No funds were actually appropriated for the mobile trade fair program until midway through the second of the three fiscal years covered by the original authority; the total amount appropriated for the 3-year period has been \$600,000, rather than the \$1,500,000 authorized. To date only one of the mobile trade fair operations assisted has been reported on. Three others are under way, and contracts to assist still others will doubtless be entered into in the course of the current fiscal year.

Although our actual operating experience with the program has been limited, the Department has been pleased by the expressions of interest in the program. This interest has been expressed by substantial U.S. business firms or groups of firms that have applied or are planning to apply for recognition and assistance under the act. In addition, the Foreign Service of the United States has reported the favorable reception of mobile trade fair activities where they have been carried out under this program and the interest of foreign business groups in the opportunity to become familiar with more U.S. products through a continuation and expansion of the program. The Department intends to continue encouraging the elements of the program with which we have already had successful experience and to press for the development and selection of new techniques within the scope of the present legislation which will broaden and increase the effectiveness of the program.

Experience to date indicates that the mobile trade fair concept has promise and should be continued for another 3 years. A review of our trade position 3 years from now will indicate whether permanent legislation should be sought for the program or whether it should be modified or allowed to run its course.

REPEAL OF CERTAIN ACTS RELATING TO CONTAINERS FOR FRUITS AND VEGETABLES

Mr. MAGNUSON. Mr. President, by request, I introduce, for appropriate reference, a bill to repeal certain acts relating to containers for fruits and vegetables. I ask unanimous consent that a letter from the Secretary of Agri-

89TH CONGRESS
1ST SESSION

H. R. 7968

IN THE HOUSE OF REPRESENTATIVES

MAY 6, 1965

Mr. STAFFORD introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 That section 306 (a) of the Consolidated Farmers Home Ad-
2 ministration Act is amended to read as follows:

3 “ (1) The Secretary is also authorized to make or insure
4 loans to associations, including corporations not operated for
5 profit, and public and quasi-public agencies to provide for the
6 application or establishment of soil conservation practices,
7 shifts in land use, the conservation, development, use, and
8 control of water, and the installation or improvement of drain-
9 age facilities, and recreational developments, all primarily
10 serving farmers, ranchers, farm tenants, farm laborers, and
11 other rural residents, and to furnish financial assistance or
12 other aid in planning projects for such purposes.

13 “ (2) The Secretary is authorized to make grants aggre-
14 gating not to exceed \$25,000,000 in any fiscal year to such
15 associations to finance specific projects for works for the
16 storage, treatment, purification, or distribution of water in
17 rural areas. The amount of any grant made under the au-
18 thority of this paragraph shall not exceed the lesser of (i) 40
19 per centum of the development cost of that portion of the
20 facility necessary to enable the project to serve the area
21 which can be feasibly served by the facility and to adequately
22 serve the reasonable foreseeable growth needs of the area,
23 (ii) that portion of the development costs which are above
24 the probable ability of the association to repay a loan for
25 such purposes from income or assessments levied at a rate

1 or charge for service within the ability of a majority of the
2 users to accept and pay for such service and maintain a
3 reasonable standard of living, or (iii) that part of the develop-
4 ment cost of a facility constructed by a public body which
5 is in excess of the costs which can be financed within the
6 amount of obligations or levies permitted by law for which
7 alternate revenue financing is not available.

8 “(3) No grant shall be made under paragraph 2 of this
9 subsection in connection with any facility unless the Secre-
10 tary determines that the project (i) will serve a rural area
11 which is not likely to decline in population below that for
12 which the facility was designed, (ii) is designed and con-
13 structed so that adequate capacity will be or can be made
14 available to serve the present population of the area to the
15 extent feasible and to serve the reasonable foreseeable growth
16 needs of the area, or (iii) is necessary for orderly com-
17 munity development consistent with a comprehensive com-
18 munity water development plan of the rural area and not
19 inconsistent with any planned development under State,
20 county, or municipal plans approved as official plans by
21 competent authority for the area in which the rural com-
22 munity is located. Until October 1, 1968, the Secretary
23 may make grants prior to the completion of the compre-
24 hensive plan, if the preparation of such plan has been under-
25 taken for the area.

1 “(4) The term ‘development cost’ means the cost of
2 construction of a facility and the land, easements, and rights-
3 of-way, and water rights necessary to the construction and
4 operation of the facility.

5 “(5) No loan shall be made under this subsection which
6 would cause the unpaid principal indebtedness of any asso-
7 ciation under this Act and under the Act of August 28,
8 1937, as amended, together with the amount of any assist-
9 ance in the form of a grant to exceed \$4,000,000 at any one
10 time.

11 “(6) The Secretary may make grants aggregating not
12 to exceed \$5,000,000 in any fiscal year to any public body
13 or such other agency as the Secretary may determine having
14 authority to prepare official comprehensive plans for the de-
15 velopment of water systems in rural areas which does not
16 have funds available for immediate undertaking of the prep-
17 aration of such plan.

18 “(7) Rural areas, for the purpose of water systems,
19 shall include any area not included within the boundaries of
20 any incorporated or unincorporated city, village, or borough
21 having a population in excess of five thousand inhabitants.”

22 SEC. 2. Section 308 of the Consolidated Farmers Home
23 Administration Act of 1961 is amended by—

24 (1) striking out “\$200,000,000” and inserting in
25 lieu thereof “\$450,000,000”;

1 (2) in clause (a) striking out “except that no
2 agreement shall provide for purchase by the Secretary
3 at a date sooner than three years from the date of the
4 note”; and

5 (3) striking out clause (b) and inserting in lieu
6 thereof “(b) may retain out of payments by the bor-
7 rower a charge at a rate specified in the insurance agree-
8 ment applicable to the loan”.

9 (b) Section 309 (e) of such Act is amended by striking
10 out “such portion of the charge collected in connection with
11 the insurance of loans at least equal to a rate of one-half of
12 1 per centum per annum on the outstanding principal obliga-
13 tions and the remainder of such charge” and inserting in
14 lieu thereof “all or a portion, not to exceed one-half of 1 per
15 centum of the unpaid principal balance of the loan, of any
16 charge collected in connection with the insurance of loans;
17 and any remainder of any such charge”.

18 (c) Section 309 (f) (1) of such Act is amended by
19 striking out “\$25,000,000” and inserting in lieu thereof
20 “\$50,000,000”.

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

By Mr. STAFFORD

MAY 6, 1965

Referred to the Committee on Agriculture

89TH CONGRESS
1ST SESSION

H. R. 7998

IN THE HOUSE OF REPRESENTATIVES

MAY 10, 1965

Mr. BANDSTRA introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961, as amended, to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That section 306 (a) of the Consolidated Farmers Home Ad-
4 ministration Act, as amended, is amended to read as follows:

5 “(1) The Secretary is also authorized to make or insure

1 loans to associations, including corporations not operated for
2 profit, and public and quasi-public agencies to provide for the
3 application or establishment of soil conservation practices,
4 shifts in land use, the conservation, development, use, and
5 control of water, and the installation or improvement of drain-
6 age facilities, and recreational developments, all primarily
7 serving farmers, ranchers, farm tenants, farm laborers, and
8 other rural residents, and to furnish financial assistance or
9 other aid in planning projects for such purposes.

10 “(2) The Secretary is authorized to make grants aggre-
11 gating not to exceed \$25,000,000 in any fiscal year to such
12 associations to finance specific projects for works for the
13 storage, treatment, purification, or distribution of water in
14 rural areas. The amount of any grant made under the au-
15 thority of this paragraph shall not exceed the lesser of (i) 40
16 per centum of the development cost of that portion of the
17 facility necessary to enable the project to serve the area
18 which can be feasibly served by the facility and to adequately
19 serve the reasonable foreseeable growth needs of the area,
20 (ii) that portion of the development costs which are above
21 the probable ability of the association to repay a loan for
22 such purposes from income or assessments levied at a rate
23 or charge for service within the ability of a majority of the
24 users to accept and pay for such service and maintain a
25 reasonable standard of living, or (iii) that part of the devel-

1 opment cost of a facility constructed by a public body which
2 is in excess of the costs which can be financed within the
3 amount of obligations or levies permitted by law for which
4 alternate revenue financing is not available.

5 “(3) No grant shall be made under paragraph 2 of this
6 subsection in connection with any facility unless the Secre-
7 tary determines that the project (i) will serve a rural area
8 which is not likely to decline in population below that for
9 which the facility was designed, (ii) is designed and con-
10 structed so that adequate capacity will be or can be made
11 available to serve the present population of the area to the
12 extent feasible and to serve the reasonable foreseeable growth
13 needs of the area, or (iii) is necessary for orderly com-
14 munity development consistent with a comprehensive com-
15 munity water development plan of the rural area and not
16 inconsistent with any planned development under State,
17 county, or municipal plans approved as official plans by
18 competent authority for the area in which the rural com-
19 munity is located. Until October 1, 1968, the Secretary
20 may make grants prior to the completion of the compre-
21 hensive plan, if the preparation of such plan has been under-
22 taken for the area.

23 “(4) The term ‘development cost’ means the cost of
24 construction of a facility and the land, easements, and rights-

1 of-way, and water rights necessary to the construction and
2 operation of the facility.

3 “(5) No loan shall be made under this subsection which
4 would cause the unpaid principal indebtedness of any asso-
5 ciation under this Act, as amended, and under the Act of
6 August 28, 1937, as amended, together with the amount of
7 any assistance in the form of a grant to exceed \$4,000,000
8 at any one time.

9 “(6) The Secretary may make grants aggregating not
10 to exceed \$5,000,000 in any fiscal year to any public body
11 or such other agency as the Secretary may determine having
12 authority to prepare official comprehensive plans for the de-
13 velopment of water systems in rural areas which does not
14 have funds available for immediate undertaking of the prep-
15 aration of such plan.

16 “(7) Rural areas, for the purpose of water systems,
17 shall include any area not included within the boundaries of
18 any incorporated or unincorporated city, village, or borough
19 having a population in excess of five thousand inhabitants.”

20 SEC. 2. Section 308 of the Consolidated Farmers Home
21 Administration Act of 1961, as amended, is amended by—

22 (1) striking out “\$200,000,000” and inserting in
23 lieu thereof “\$450,000,000”;

24 (2) in clause (a) striking out “except that no
25 agreement shall provide for purchase by the Secretary

1 at a date sooner than three years from the date of the
2 note”; and

3 (3) striking out clause (b) and inserting in lieu
4 thereof “(b) may retain out of payments by the bor-
5 rower a charge at a rate specified in the insurance agree-
6 ment applicable to the loan”.

7 (b) Section 309 (e) of such Act is amended by striking
8 out “such portion of the charge collected in connection with
9 the insurance of loans at least equal to a rate of one-half of
10 1 per centum per annum on the outstanding principal obliga-
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14 charge collected in connection with the insurance of loans,
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By Mr. BANDSTRA

MAY 10, 1965

Referred to the Committee on Agriculture

89TH CONGRESS
1ST SESSION

H. R. 8116

IN THE HOUSE OF REPRESENTATIVES

MAY 12, 1965

Mr. ANDERSON of Tennessee introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That section 306 (a) of the Consolidated Farmers Home
4 Administration Act is amended to read as follows:

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6 loans to associations, including corporations not operated for

1 profit, and public and quasi-public agencies to provide for the
2 application or establishment of soil conservation practices,
3 shifts in land use, the conservation, development, use, and
4 control of water, and the installation or improvement of drain-
5 age facilities, and recreational developments, all primarily
6 serving farmers, ranchers, farm tenants, farm laborers, and
7 other rural residents, and to furnish financial assistance or
8 other aid in planning projects for such purposes.

9 “(2) The Secretary is authorized to make grants aggre-
10 gating not to exceed \$25,000,000 in any fiscal year to such
11 associations to finance specific projects for works for the
12 storage, treatment, purification, or distribution of water in
13 rural areas. The amount of any grant made under the au-
14 thority of this paragraph shall not exceed the lesser of (i) 40
15 per centum of the development cost of that portion of the
16 facility necessary to enable the project to serve the area
17 which can be feasibly served by the facility and to adequately
18 serve the reasonable foreseeable growth needs of the area,
19 (ii) that portion of the development costs which are above
20 the probable ability of the association to repay a loan for
21 such purposes from income or assessments levied at a rate
22 or charge for service within the ability of a majority of the
23 users to accept and pay for such service and maintain a
24 reasonable standard of living, or (iii) that part of the develop-
25 ment cost of a facility constructed by a public body which

1 is in excess of the costs which can be financed within the
2 amount of obligations or levies permitted by law for which
3 alternate revenue financing is not available.

4 “(3) No grant shall be made under paragraph 2 of this
5 subsection in connection with any facility unless the Secre-
6 tary determines that the project (i) will serve a rural area
7 which is not likely to decline in population below that for
8 which the facility was designed, (ii) is designed and con-
9 structed so that adequate capacity will be or can be made
10 available to serve the present population of the area to the
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12 needs of the area, or (iii) is necessary for orderly com-
13 munity development consistent with a comprehensive com-
14 munity water development plan of the rural area and not
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18 munity is located. Until October 1, 1968, the Secretary
19 may make grants prior to the completion of the compre-
20 hensive plan, if the preparation of such plan has been under-
21 taken for the area.

22 “(4) The term ‘development cost’ means the cost of
23 construction of a facility and the land, easements, and rights-
24 of-way, and water rights necessary to the construction and
25 operation of the facility.

1 “(5) No loan shall be made under this subsection which
 2 would cause the unpaid principal indebtedness of any asso-
 3 ciation under this Act and under the Act of August 28,
 4 1937, as amended, together with the amount of any assist-
 5 ance in the form of a grant to exceed \$4,000,000 at any one
 6 time.

7 “(6) The Secretary may make grants aggregating not
 8 to exceed \$5,000,000 in any fiscal year to any public body
 9 or such other agency as the Secretary may determine having
 10 authority to prepare official comprehensive plans for the de-
 11 velopment of water systems in rural areas which does not
 12 have funds available for immediate undertaking of the prep-
 13 aration of such plan.

14 “(7) Rural areas, for the purpose of water systems,
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 16 any incorporated or unincorporated city, village, or borough
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18 SEC. 2. Section 308 of the Consolidated Farmers Home
 19 Administration Act of 1961 is amended by—

20 (1) striking out “\$200,000,000” and inserting in
 21 lieu thereof “\$450,000,000”;

22 (2) in clause (a) striking out “except that no
 23 agreement shall provide for purchase by the Secretary
 24 at a date sooner than three years from the date of the
 25 note”; and

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By Mr. ANDERSON of Tennessee

MAY 12, 1965

Referred to the Committee on Agriculture

89TH CONGRESS
1ST SESSION

H. R. 8234

IN THE HOUSE OF REPRESENTATIVES

MAY 18, 1965

Mr. ANDREWS of North Dakota introduced the following bill ; which was referred to the Committee on Agriculture

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

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17 facility necessary to enable the project to serve the area
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21 the probable ability of the association to repay a loan for
22 such purposes from income or assessments levied at a rate
23 or charge for service within the ability of a majority of the
24 users to accept and pay for such service and maintain a
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6 subsection in connection with any facility unless the Secre-
7 tary determines that the project (i) will serve a rural area
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21 hensive plan, if the preparation of such plan has been under-
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24 construction of a facility and the land, easements, and rights-

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2 operation of the facility.

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4 would cause the unpaid principal indebtedness of any asso-
5 ciation under this Act and under the Act of August 28,
6 1937, as amended, together with the amount of any assist-
7 ance in the form of a grant to exceed \$4,000,000 at any one
8 time.

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10 to exceed \$5,000,000 in any fiscal year to any public body
11 or such other agency as the Secretary may determine having
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13 velopment of water systems in rural areas which does not
14 have funds available for immediate undertaking of the prep-
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By Mr. ANDREWS of North Dakota

MAY 18, 1965

Referred to the Committee on Agriculture

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
(NOT TO BE QUOTED OR CITED)

Issued July 22, 1965
For actions of July 21, 1965
89th-1st; No. 132

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HIGHLIGHTS: Senate committee voted to report following bills: rural water facilities; diversion payments on acreage affected by disaster; implementation of
Continued page 4

HOUSE

1. **POVERTY.** Continued debate on H. R. 8283, to expand the war on poverty and enhance the effectiveness of programs under the Economic Opportunity Act of 1964 (pp. 16947-96). Agreed to an amendment by Rep. Reid to provide public access to information relating to community action programs (pp. 16991-2).
2. **LEGISLATIVE APPROPRIATION BILL.** Both Houses agreed to the conference report on this bill, H. R. 8775. This bill will now be sent to the President. pp. 16945-7, 17136-9
3. **DISASTER RELIEF.** The Banking and Currency Committee reported without amendment S. 408, to authorize a study of methods of helping to provide financial assistance to victims of future flood disasters (H. Rept. 632). p. 17052

4. LANDS. The Interior and Insular Affairs Committee voted to report (but did not actually report) H. R. 6646, with amendment, to amend the Recreation and Public Purposes Act pertaining to the leasing of public lands to States and political subdivisions, and H. R. 5984, with amendment, to amend Secs. 2275 and 2276 of the Revised Statutes with respect to certain lands granted to the States. p. D682
5. HEALTH. At the request of Rep. Mills, consent was granted to the managers on the part of the House to file a conference report on H. R. 6675, the medicare bill, by midnight Mon., July 26. Rep. Mills inserted a summary of the major decisions of the conference committee. pp. 16941-4
6. EDUCATION. The Rules Committee reported a resolution for consideration of H. R. 8310, the Educational Rehabilitation Act Amendments of 1965. pp. 16944-5
7. POTATOES. Rep. Monagan called the recent rise in the price of potatoes "a national scandal," and stated that it "clearly indicates the need for careful scrutiny of the program of the potato producers." pp. 17037-8
8. CORN; FOREIGN AID. Rep. Halpern stated that a GAO report reveals "that almost half of the 186,000 tons of corn given by the United States to the United Arab Republic, in 1961, ostensibly for distribution to the needy, was sold by Nasser's government," and called on the President to "suspend any portion of the \$37.5 million remaining under the agricultural assistance program to Egypt." p. 17043
9. FOOD STAMPS. Rep. Conyers commended this Departments food stamp program as providing better diets for the people who participate and bringing economic benefits to entire communities. pp. 17050-1
10. POULTRY. Rep. Walker, Miss., inserted his statement critical of "the attitude taken by the USDA and the ARA toward putting Federal money into a poultry complex to the tune of \$2,720,000 in Newcastle, Pa., when the poultry industry in the Nation is in such a depressed condition." pp. 17043-4

SENATE

11. AGRICULTURE AND FORESTRY COMMITTEE voted to report (but did not actually report): With amendment S. 1766, to authorize the Secretary of Agriculture to make loans to public agencies and nonprofit corporations for the development of water systems serving rural areas, and S. 7, to provide for the establishment of the Spruce Knob-Seneca Rocks National Recreation Area, W. Va.; and without amendment H. R. 5508, the Department's administrative omnibus bill; H. R. 8620, to take into consideration floods and other natural disasters in reference to the feed grains, cotton, and wheat programs for 1965; S. 1270, to extend for 2 years the exemption of green peanuts from marketing quotas; S. 1271, to extend for 2 years provisions of the Agricultural Adjustment Act permitting the lease of tobacco acreage allotments; and S. 2294, to extend for 1 additional year the International Wheat Agreement Act of 1949. p. D679
12. WATERSHEDS. The Agriculture and Forestry Committee approved plans for works of improvement on the following watershed projects: Cottonwood Creek, Nebr.; Lakin, Kans.; Mills Creek, Fla.; Mitchell Swamp-Pleasant Meadow Branch, S. C.; Standing Pine Creek, Miss.; Turkey Creek, Iowa; and Willis River, Va. p. D679

89TH CONGRESS
1ST SESSION

H. R. 9987

IN THE HOUSE OF REPRESENTATIVES

JULY 21, 1965

Mr. WIDNALL introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That section 306 (a) of the Consolidated Farmers Home Ad-
4 ministration Act is amended to read as follows:

5 “(1) The Secretary is also authorized to make or insure

1 loans to associations, including corporations not operated for
2 profit, and public and quasi-public agencies to provide for the
3 application or establishment of soil conservation practices,
4 shifts in land use, the conservation, development, use, and
5 control of water, and the installation or improvement of drain-
6 age facilities, and recreational developments, all primarily
7 serving farmers, ranchers, farm tenants, farm laborers, and
8 other rural residents, and to furnish financial assistance or
9 other aid in planning projects for such purposes.

10 “(2) The Secretary is authorized to make grants aggre-
11 gating not to exceed \$25,000,000 in any fiscal year to such
12 associations to finance specific projects for works for the
13 storage, treatment, purification, or distribution of water in
14 rural areas. The amount of any grant made under the au-
15 thority of this paragraph shall not exceed the lesser of (i) 40
16 per centum of the development cost of that portion of the
17 facility necessary to enable the project to serve the area
18 which can be feasibly served by the facility and to adequately
19 serve the reasonable foreseeable growth needs of the area,
20 or (ii) that portion of the development costs which are above
21 the probable ability of the association to repay a loan for
22 such purposes from income or assessments levied at a rate
23 or charge for service within the ability of a majority of the
24 users to accept and pay for such service and maintain a
25 reasonable standard of living: *Provided, however, That in*

1 determining the ability of a public body to repay, considera-
2 tion shall be given to any applicable legal debt ceiling or tax
3 or assessment limits and to any other improvements con-
4 templated to be financed within those limits.

5 “(3) No grant shall be made under paragraph 2 of this
6 subsection in connection with any facility unless the Secre-
7 tary determines that the project (i) will serve a rural area
8 which is not likely to decline in population below that for
9 which the facility was designed, (ii) is designed and con-
10 structed so that adequate capacity will be or can be made
11 available to serve the present population of the area to the
12 extent feasible and to serve the reasonable foreseeable growth
13 needs of the area, or (iii) is necessary for orderly com-
14 munity development consistent with a comprehensive com-
15 munity water development plan of the rural area and not
16 inconsistent with any planned development under State,
17 county, or municipal plans approved as official plans by
18 competent authority for the area in which the rural com-
19 munity is located. Until October 1, 1968, the Secretary
20 may make grants prior to the completion of the compre-
21 hensive plan, if the preparation of such plan has been under-
22 taken for the area.

23 “(4) The term ‘development cost’ means the cost of
24 construction of a facility and the land, easements, and rights-

1 of-way, and water rights necessary to the construction and
2 operation of the facility.

3 “(5) No loan or grant shall be made under this subsec-
4 tion which would cause the unpaid principal indebtedness of
5 any association under this Act and under the Act of August
6 28, 1937, as amended, together with the amount of any
7 assistance in the form of a grant to exceed \$4,000,000 at any
8 one time.

9 “(6) The Secretary may make grants aggregating not
10 to exceed \$5,000,000 in any fiscal year to public bodies or
11 such other agencies as the Secretary may determine having
12 authority to prepare official comprehensive plans for the de-
13 velopment of water systems in rural areas which do not
14 have funds available for immediate undertaking of the prepa-
15 ration of such plan.

16 “(7) Rural areas, for the purpose of water systems,
17 shall include any area primarily engaged in or associated
18 with agriculture and not having a population in excess of
19 five thousand inhabitants.”

20 SEC. 2. Section 308 of the Consolidated Farmers Home
21 Administration Act of 1961 is amended by—

22 (1) striking out “\$200,000,000” and inserting in
23 lieu thereof “\$450,000,000”;

24 (2) in clause (a) striking out “except that no
25 agreement shall provide for purchase by the Secretary

1 at a date sooner than three years from the date of the
2 note”; and

3 (3) striking out clause (b) and inserting in lieu
4 thereof “(b) may retain out of payments by the bor-
5 rower a charge at a rate specified in the insurance agree-
6 ment applicable to the loan”.

7 (b) Section 309 (e) of such Act is amended by striking
8 out “such portion of the charge collected in connection with
9 the insurance of loans at least equal to a rate of one-half of
10 1 per centum per annum on the outstanding principal obliga-
11 tions and the remainder of such charge” and inserting in
12 lieu thereof “all or a portion, not to exceed one-half of 1 per
13 centum of the unpaid principal balance of the loan, of any
14 charge collected in connection with the insurance of loans;
15 and any remainder of any such charge”.

16 (c) Section 309 (f) (1) of such Act is amended by
17 striking out “\$25,000,000” and inserting in lieu thereof
18 “\$50,000,000”.

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

By Mr. WIDNALL

JULY 21, 1965

Referred to the Committee on Agriculture

July 22, 1964

SENATE

10. AGRICULTURE AND FORESTRY COMMITTEE reported: With amendments S. 1766, to authorize the Secretary of Agriculture to make loans to public agencies and nonprofit corporations for the development of water systems serving rural areas (S. Rept. 500); with amendments S. 7, to provide for the establishment of the Spruce Knob-Seneca Rocks Recreation Area, W. Va. (S. Rept. 507); with amendment S. 1271, to extend for 2 years provisions of the Agricultural Adjustment Act permitting the lease of tobacco acreage allotments (S. Rept. 503); without amendment S. 1270, to extend for 2 years the exemption of green peanuts from marketing quotas (S. Rept. 504); without amendment S. 2294, to extend for 1 additional year the International Wheat Agreement Act of 1949 (S. Rept. 505); without amendment H. R. 8620, to take into consideration floods and other natural disasters in reference to the feed grains, cotton, and wheat programs for 1965 (S. Rept. 502); and without amendment H. R. 5508, the Department's administrative omnibus bill (S. Rept. 506). p. 17223
11. DISASTER RELIEF. Passed as reported S. 1861, the proposed Disaster Relief Act of 1965 (pp. 17204-17). As passed the bill makes the following provisions: Authorizes the Secretary of Agriculture to readjust the schedules for payment of principal and interest on REA loans to borrowers suffering property damage in disaster areas, and to extend the maturity dates of such loans up to forty years from the dates of such loans. Authorizes Farmers Home Administration emergency loans up to \$30,000, if such loan is for the repair, rehabilitation, or replacement of property damaged or destroyed as the result of a major disaster, without regard to whether the Secretary of Agriculture finds that the required financial assistance can be met by private, cooperative, or other responsible sources. Authorizes the Secretary of Agriculture to make grants to farmers whose farmlands or livestock have been damaged as the result of a major disaster; such grants shall not exceed two-thirds of the cost, or \$10,000 to any farmer. Authorizes the Secretary of Agriculture to make or insure loans to associations for the acquisition, construction, improvement, or extension of waste disposal systems and other public facilities providing for community services in rural areas damaged by a disaster; the Secretary is also authorized to make construction grants not to exceed 50 per centum of the cost of waste disposal systems, water systems, and other public facilities providing for community services in these areas. Authorizes to be appropriated such sums as may be necessary to repair, restore, or reconstruct any project completed or under construction for flood control, irrigation, reclamation, public power, sewage treatment, water treatment, or watershed development which has been damaged as the result of a major disaster.
12. LANDS. Passed without amendment S. 1190, to provide that certain limitations shall not apply to certain land patented to the State of Alaska for the use and benefit of the Univ. of Alaska. p. 17172
Passed as reported S. 1413, to provide for the termination of Federal supervision over the property of the Confederated Tribes of Colville Indians located in Wash. State and the individual members thereof. pp. 17167-71
13. RECLAMATION. Passed without amendment H. R. 237, to reauthorize the initial stage of the Garrison diversion unit, Missouri River Basin project. S. 34, a similar bill, was indefinitely postponed. H. R. 237 will now be sent to the President. pp. 17218-22

14. REGULATORY PRACTICES. Received from GAO a report on "need to strengthen regulatory practices and study certain trading activities relating to commodity futures markets, Commodity Exchange Authority." p. 17223
15. FARM PROGRAM. Sen. Thurmond inserted several articles claiming that "political coercion" is being employed on Members of Congress who represent States which have farming interests. pp. 17244-5

ITEMS IN APPENDIX

16. FARM LABOR. Rep. Talcott inserted an article, "Braceros Formed A Free Peace Corps", critical of the farm labor program. p. A3967
17. PURCHASING. Rep. Gubser inserted an article criticizing procurement practices, and stating a change in the "attitude of many Government agencies towards commercial products is long overdue." p. A3968
18. NATURAL RESOURCES. Extension of remarks of Rep. Dingell discussing Labor's interest in conservation and inserting Walter Reuther's address, "Enhancing C Living Environment." pp. A3971-3
19. BALANCE OF PAYMENTS. Rep. Multer inserted Treasury Secretary Fowler's address concerning "recent attempts to secure improvements in international monetary arrangements, and the related importance of maintaining a stable dollar to insure world liquidity." pp. A3985-8
20. WHEAT; BREAD TAX. Rep. Greigg inserted an article which denounces the false issue of "bread tax" in reference to the farm program. p. A3988
21. RECLAMATION; WILDERNESS. Extension of remarks of Rep. Hansen/^(Idaho)stating that "much has been said for wilderness areas and wild rivers programs....."; and overlooking the "wonderful job done by our Bureau of Reclamation and other water resource agencies over the years." p. A3989
22. FARM PROGRAM; PLATFORM. Extension of remarks of Rep. Brock commending and inserting the text of the Young Republican's national platform, including a section on agriculture. pp. A3991-2
23. WEIGHTS AND MEASURES. Extension of remarks of Rep. Hansen/^(Idaho)favoring adoption of the metric system of weights and measures and inserting an editorial on this subject. pp. A3993-4
24. POTATOES. Extension of remarks of Rep. Hansen, Idaho, emphasizing that "Idaho will play second fiddle to no one" in the production of potatoes and inserting several items commenting on alleged "derogatory" statements by Arthur Godfrey about Idaho potatoes. pp. A3997-8
25. WOOL; COTTON. Extension of remarks of Rep. Cooley commending this Department's development of cotton and wool materials with new convenience properties. p. A4007
26. ECONOMICS. Extension of remarks of Rep. Multer inserting an article and stating that it discusses the differences between the current economic situation and that of 1929, and points out why there will not be another economic disaster such as occurred that year. p. A4014

RURAL WATER FACILITIES

JULY 22, 1965.—Ordered to be printed

Mr. AIKEN, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany S. 1766]

The Committee on Agriculture and Forestry, to whom was referred the bill (S.1766) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

EXPLANATION OF BILL

In general, this bill would provide for grants and increased loans for water facilities in rural agricultural areas. It would also expand the Farmers Home Administration insured loan authority and provide means of making such loans more attractive to investors through better yields and repurchase agreements.

With the committee amendments, it would—

(1) Replace the present \$500,000 limit on direct loans, and \$1 million limit on insured loans, to any association under section 306(a) of the Consolidated Farmers Home Administration Act with a \$4 million limit on loans and grants to any association under that section. Loans under that section are made for soil conservation, changes in land use, water use and control, drainage, and recreation, primarily serving farmers, ranchers, and other rural residents. Construction grants are not now authorized, but would be authorized by the bill for water systems.

(2) Authorize grants of up to \$25 million per fiscal year to associations to finance water facilities serving rural areas. No grant could exceed either 50 percent of the development cost or that part which is in excess of the association's ability to finance. No grants could be made for facilities to serve areas with populations likely to decline below that for which the facility is designed, facilities with inadequate capacities, or facilities which are not needed or are inconsistent with State, county or municipal development plans.

(3) Authorize grants of up to \$5 million per fiscal year for assistance in preparation of comprehensive plans for development of water systems in rural areas;

(4) Define "rural areas" for the purpose of water systems as areas primarily engaged in or associated with agriculture and not having a population in excess of 5,000;

(5) Increase the limit on loans which may be insured under subtitle A of the Consolidated Farmers Home Administration Act (real estate and similar loans) in any one year from \$200 million to \$450 million;

(6) Repeal the provision prohibiting agreements by the Secretary to purchase such insured loans in less than 3 years from the date of the note;

(7) Permit the Secretary to fix the insurance charge retained by him from borrowers' payments, and the portion of such charge deposited in the insurance fund (instead of at least one-half of 1 percent of the outstanding principal obligation in each case). The portion of the charge deposited in the fund could not exceed one-half of 1 percent of the outstanding principal balance; and

(8) Increase the amount of loans made from the insurance fund which the Secretary can hold at any one time for future sale to \$50 million (from \$25 million).

COMMITTEE HEARINGS

The provisions described in paragraphs (5) through (8) are contained in S. 709 and H.R. 5075, as well as in S. 1766. The committee's subcommittee on agricultural credit and rural electrification conducted hearings in May on S. 709 and H.R. 5075, and those hearings have been printed. The full committee conducted hearings on S. 1766 in June, and those hearings have also been printed. While there was some opposition to the amount of additional authority provided by the bill, and some suggestions that the authority should be expanded to provide grants for individual water systems, or for extension deposits to make the extension of existing systems possible, the bulk of the evidence supported the objectives of H.R. 5075 and S. 1766 without material modification.

One matter which the committee carefully considered was the relationship of water facility grants and loans under the bill to those made by the Community Facilities Administration under title II of the Housing Amendments of 1955, the Housing and Urban Development Act of 1965 (H.R. 7984), and any other available authorizations. S. 1766 is intended to take care of the needs in rural agricultural areas, while Community Facilities Administration activities have been restricted to public bodies. It was made clear when the Housing

RURAL WATER FACILITIES

and Development Act was passed by the Senate that there would be no duplication of the service rendered by the Farmers Home Administration; and the committee was assured by Mr. Bertsch, Administrator of the Farmers Home Administration, that there would be no duplication of services as a result of passage of S. 1766, as follows at page 61 of the hearings:

No, I see no problem in the duplication of services. Community Facilities Administration is also in the business to aid communities who cannot obtain credit elsewhere. However, the Community Facilities Administration differs from our agency in that they do not have authority to make loans to other than public bodies, and towns and rural water companies who need counseling and guidance in the development and operation of good community water systems. We are staffed to provide this supervision and guidance. Occasionally we receive an application which might qualify for service from the Community Facilities Administration. In such an instance our State director contacts the CFA representative in his State and together they make a determination as to whether Community Facilities Administration or the Farmers Home Administration should aid the applicant. We work very closely together. We accede to the Community Facilities Administration in any instance in which they feel qualified and willing to service the application to completion. We make loans then only to association applicants who cannot qualify for any other credit including credit from the Community Facilities Administration.

The committee also felt that the Farmers Home Administration authority to make loans and grants to associations for water facilities should be limited to areas engaged in or associated with agriculture, and that any assistance to be given to nonagricultural areas should be provided by some agency other than the Department of Agriculture. The committee has recommended an amendment to accomplish that purpose.

NEED FOR THE BILL

All over the United States and particularly in the dairy areas farmers are finding it increasingly difficult to meet the high sanitary requirements for food production with old-fashioned supplies of water.

Not just any water will do these days—it must be clean and chemically acceptable.

Rural communities, some 30,000 of them, need new water systems for food processing, for preparing vegetables for market, for fire protection, for maintaining local industries, and for household uses.

Until this need is met, these communities cannot grow and make their proper contribution to the overall growth of the Nation.

Until this need is met, they cannot absorb their part of the increasing population of our country—estimated at 100 million gain within the next generation.

Many communities where a new water supply would result in increased population and an expanded economy are presently unable to meet the cost by themselves.

The Senate has already approved authority for grants to political bodies to assist in providing water facilities for urban people. Our citizens in rural areas have the same need and are entitled to the same degree of assistance. The Farmers Home Administration has the experience and knowledge necessary to solve the special problems involved in providing water to rural areas.

In its implementation of this law, the committee understands that the Farmers Home Administration will establish guidelines or standards of economic feasibility which will assure the most economical use of the Federal funds available to carry out the purposes of this legislation; and will also establish technical and engineering standards to assure proper construction of the facilities being financed under this law.

The need for the expanded insured loan authority provided by section 2 of the bill is described fully in the report of the Department of Agriculture on S. 709. In addition, the Department has advised the committee that applications for \$84,024,395 in farmownership loans were held over from fiscal 1965 because of lack of funds, and that it estimates new applications in fiscal 1966 for farmownership loans which would be made but for lack of funds at \$345,975,605, or a total demand for farmownership loans for 1966 of \$430 million. It also estimates applications for association loans under section 306 in its present form during fiscal 1966 at \$361,071,850, making a total demand by qualified applicants of over \$791 million.

COMMITTEE AMENDMENTS

The amendments recommended by the committee are as follows:

First, in order to provide the same limit on grants for rural water facilities as is provided by the Housing and Urban Development Act of 1965 for grants for urban water facilities, the committee recommended that the limit be fixed at 50 percent of the development cost instead of 40 percent.

Second, in addition to the percentage limit, the bill as introduced contained two additional limits, based on the ability of the grantee to obtain adequate financing by other means. These imposed much stricter restrictions on political bodies than on other associations so that some witnesses contended grants to political bodies were completely precluded. As the bill was introduced, the grants to a public body would be limited to the smallest of (i) 40 percent, (ii) the amount not recoverable through revenues from users, or (iii) the amount not recoverable through revenues from users and general revenues. The committee recommended that the third limitation be stricken, and that the second limit be amended to permit a grant to cover that part of the potential user revenues which would fall within that part of the debt ceiling of a political body which should be allocated to other necessary improvements.

For example, a town might be legally able to collect a certain amount for a water facility through special assessments, but it then would have to give up needed roads in order to keep within its debt limit. The amendment would permit the town to use a reasonable portion of its debt limit for roads, use a reasonable amount for water facilities, and receive a grant for the balance of the water facility cost.

Third, the bill as introduced prohibited any loan which would cause the outstanding loans and grants to an association to exceed \$4 million. The committee recommended that this provision be amended so that it would also prohibit any grant that would cause the outstanding loans and grants to exceed \$4 million. This is simply a technical amendment to make the \$4 million limit an effective one.

Fourth, the bill as introduced provided for planning grants of up to \$5 million per fiscal year to any grantee. The intention was that this limit would be an overall limit on the total amount which could be granted to all, rather than any, grantee. The committee recommended an amendment to make this clear.

Fifth, the committee recommended an amendment to restrict Farmers Home Administration loans and grants to associations serving areas engaged in or associated with agriculture. At present the Administration may make loans in any rural areas, and has made some in retirement, fishing, and other rural communities. The committee felt that assistance to such areas should be placed in other agencies than the Department of Agriculture.

DEPARTMENTAL VIEWS

Attached are the reports from the Department of Agriculture on S. 709 (the companion to H.R. 5075) and S. 1766.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., February 23, 1965.

ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for a report on S. 709, a bill to amend the Consolidated Farmers Home Administration Act of 1961 in order to increase the limitation on the amount of loans which may be insured under subtitle A and for other purposes. S. 709 proposes an increase from \$200 to \$450 million in the annual authorization for the insurance of loans by the Farmers Home Administration. It removes the minimum insurance charge that must be retained by the Secretary and the minimum amount which must be transferred by the Secretary to the insurance fund. It also increases the aggregate amount of loans which may be insured and held in the insurance fund before sale.

We recommend enactment of the bill.

The proposed increase from the \$200 to \$450 million in the aggregate amount of loans that may be insured annually under this act would be required to enable the Department to assist an additional number of eligible applicants for loans authorized under subtitle A of the Consolidated Farmers Home Administration Act of 1961, Public Law 87-128, as amended. Farmownership loans are made to assist family farmers to buy, enlarge, or develop farms and to refinance debts. Soil and water conservation loans are made to individual farmowners or tenants to assist them to improve, protect, and properly use their farmland. Soil and water conservation loans are also made to public and quasi-public bodies and nonprofit associations for the development and use of water and to carry out soil conservation practices and shifts in land use that serve farmers, ranchers, and rural residents.

Additional loan purposes for farmownership and soil and water loans were authorized in 1962 by Public Law 87-703. Farmownership loans were authorized for recreational enterprises on family farms and for fish farming. Important new authorizations were also provided to enable the Farmers Home Administration to make or insure loans to associations for shifts in land use, including the development of recreational facilities. Greater emphasis has been placed on making loans for forestry purposes since that time.

Applications for insured farmownership and soil and water conservation loans to individuals were received during fiscal 1964 at the rate of 3,198 per month, and loans were made at the rate of 1,235 per month. Initial farmownership loans averaged about \$16,965. The demand for insured loans for all purposes in fiscal 1964 resulted in a total commitment of the \$200 million authorization by early May of 1964. In fact, the insurance authorization only permitted the making of loans to approximately 50 percent of the applicants qualifying for loans.

There were 14,837 applications for farmownership and individual soil and water loans on hand June 30, 1964, and this number increased to 16,324 by December 31, 1964. During that period loans were made at over 1,200 per month.

Under Public Law 87-128, a source of credit has been made available to small rural communities in the United States which do not have an adequate and safe water supply. In closely settled rural communities, it is difficult and costly to obtain and develop sources of water supply free from contamination or pollution. In addition to the 15,000 rural towns which do not now have domestic water systems, there are many thousands of fairly heavily settled rural areas in which the use of individual family shallow wells create the hazard of contaminated domestic water supply which can be remedied either by obtaining water from deep wells or the development of a group domestic water system.

The Farmers Home Administration has found that the new water development legislation has created tremendous demands for loans throughout the entire Nation as reflected by the number of applications now on hand. In 1960, soil and water conservation loans to associations were made in only 10 States; in fiscal 1963, they were made in 34 States; and in fiscal 1964, such loans were made in 39 States. These loans have averaged about \$120,000 each. During the first half of this fiscal year, 167 loans have been made for \$19 million and there are applications now on hand for soil and water loans to associations totaling approximately \$118 million.

These loans are available only to individuals and organizations which cannot secure the necessary financing from other credit sources. Credit is usually not available for establishing a new water distribution system by a nonpublic agency. Even where a new system is undertaken by such public bodies as small rural towns and rural water districts they are unable to provide the needed revenue required by commercial-type investors. Hence, if rural areas are to be served with satisfactory water supplies and distribution systems which are essential factors in maintaining our rural health and economy, it will be largely through the credit available under Federal programs.

Of significant importance in addition to the new authorization to serve small towns and rural communities is the authorization to make or insure loans to associations for shifts in land use. Generally, such

shifts in land use will result in a reduction in the production of crops that are in surplus supply. This will enable small towns and nonprofit organizations to obtain loans through the Farmers Home Administration for the purpose of developing recreational facilities, such as community swimming pools, little league baseball fields, fishing lakes, and many other facilities for healthful outdoor recreation which can be enjoyed by families living in the community and surrounding urban areas. The demand for shifts in land use appears to be increasing rapidly as rural communities which have long been in need of revitalization seek to provide important public improvements. A lack of credit for such improvements has plagued rural areas for many decades.

An increase in the authorized amount of insured loans will reduce the need for direct Government loan funds for farmownership and soil and water loans. During fiscal 1964, the obligation of direct funds was discontinued for several months while the \$200 million of insured loan authority was available. Under current money market conditions an increase in the insured loan authorizations would permit meeting the credit needs of more of the applicants for farmownership and soil and water loans with insured funds and would thus effect a savings in sums authorized to be obligated for direct loans. However, the amendment of section 309(f)(1) is needed to effectively operate the proposed increased program of insured loans.

The proposed increase from \$25 to \$50 million in the limitation on the amount of loans that may be made out of the insurance fund, but not sold and insured at any one time, is necessary to prevent undue delays in closing loans for eligible applicants. Under the present \$200 million annual authority to insure loans approximately \$15 million of the \$25 million limitation is encumbered at all times. This encumbrance is the result of a time lapse between the date the insurance fund issues loan checks and the date the notes for such loans are received by the insurance fund. This time elapse is required for closing of loans in the field offices. After the notes are received by the insurance fund they are sold to investors as soon as possible, thereby keeping the loans in the fund at any one time below the present \$25 million limitation. The proposed increase in the annual loan insurance authority from \$200 to \$450 million if enacted would cause the amount of loans that would normally be in the insurance fund to exceed the \$25 million limitation because of the time required between issuance of checks and receipt of notes for sale. Therefore, unless the limitation is increased, loan making activities will be delayed. It would also be desirable to be able to accumulate some notes in the insurance fund so that large orders from investors could be filled more expeditiously. The change to \$50 million would not permit additional loans to be made above the annual legislative ceilings and it would not add any additional cost to the Government.

The amendments of section 308 (a) and (b) and section 309(e) are necessary to assure a continuing availability of private funds for the making of insured loans or the purchase of loans made out of the fund to be sold and insured because of fluctuations in the investment market. Under these changes the yield to the investor could be made comparable to the yield of other obligations on the market. By varying the amount retained by the Secretary out of payments by the borrower, the amount payable to the investor could be increased without sale of the loan at less than the balance due on the obligation at the time of the sale. The amount to be retained would be de-

terminated by the Secretary at the time of loan closing or original sale out of the fund and could be varied upon resale of the loan after repurchase by the Secretary pursuant to the repurchase agreement in the insurance endorsement. The period of nonredemption by the Secretary would be left to the discretion of the Secretary as a further aid in the sale and insurance of loans.

The flexibility proposed in the foregoing changes is essential in order to enable the Secretary to adjust the rate of return to the lender and the period of nonredemption in accordance with the changing conditions of the money market and thus attract the investment of private funds in these insured loans.

The need for funds for salaries and other administrative expenses will be increased for fiscal year 1966. In order to provide for processing loan applications and servicing the increased number of insured loans which would be authorized under the proposed increase of \$250 million, additional personnel will be needed throughout the United States.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

(S) ORVILLE L. FREEMAN,
Secretary.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., June 18, 1965.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request of April 28, 1965, for a report on S. 1766, a bill to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

The Department of Agriculture agrees with the objectives of these proposed additional authorizations. Recent experience in working with rural groups throughout the country has indicated a predominant need for certain specific types of community facilities and community planning.

In fiscal year 1962, the Farmers Home Administration was, for the first time, permitted to make and insure loans to associations serving primarily rural residents as well as farmers and ranchers. The increase in applications from rural communities for water system loans has emphasized the wisdom of the Congress in modernizing this program. In many parts of the country the only solution to the rural water problem is a large central system producing clean treated water and distributing it to as many people as possible. These systems can support efficient management and can supply water of the best quality at the most reasonable per capita cost.

Many rural communities applying for water system loans also seek assistance in the planning and construction of community waste

disposal facilities. In fact, in many localities a satisfactory waste disposal system is a prerequisite to a safe water supply.

In administering the present loan program for rural water systems, the Farmers Home Administration has found that many rural communities cannot afford the entire cost of needed water supply and distribution facilities due to either low income of many of the prospective users or the high cost of providing distribution systems, including, where necessary, such installations as water treatment plants, in sparsely settled areas. For the same reasons, it is anticipated that many rural communities could not afford the entire cost of needed waste disposal systems.

Another great need in rural communities is effective firefighting facilities, including reservoirs and other sources of water, fire towers, other structures and equipment for firefighting.

The Farmers Home Administration was authorized in 1962 to make loans to rural communities and other associations of farmers and rural residents for shifts in land use, including the development of recreational facilities. Applications for loans to develop recreational facilities have been received in nearly every State of the Union. In some instances, facilities are needed to assist the economy of the rural communities but do not involve substantial shifts in land use. Such facilities and structures for use as general community centers would meet an urgent need in many rural areas.

It is hoped that the most critical needs outlined above will be met, to a significant extent, under the authorities of the President's proposed Housing and Urban Development Act of 1965 and the Public Works and Economic Development Act now under consideration by the Congress. In addition, in order to assist in more effectively extending the benefits from various existing and newly proposed Federal programs to rural people, the President's 1966 budget request for this Department now pending before the Congress provides for strengthening the capacity of the Cooperative State Extension Service and the Rural Community Development Service.

The President, in his message on agriculture, also requested that this Department and the Bureau of the Budget work with other agencies in reviewing their programs to assure an equitable distribution of benefits between urban and rural areas and propose such administrative and legislative steps as may be appropriate. Pending completion of such review, we believe that action on section 1 of S. 1766 should be deferred.

Section 2(1) would increase from \$200 to \$450 million the aggregate amount of loans that may be insured annually under this act.

This increase will permit the Department to assist an additional number of eligible applicants for loans authorized under subtitle A of the Consolidated Farmers Home Administration Act of 1961, Public Law 87-128, as amended. Farmownership loans are made to assist family farmers to buy, enlarge, or develop farms and to refinance debts. Soil and water conservation loans are made to individual farmowners or tenants to assist them to improve, protect, and properly use their farmland. Soil and water conservation loans are also made to public and quasi-public bodies and nonprofit associations for the development and use of water and to carry out soil conservation practices and shifts in land use that serve farmers, ranchers, and rural residents.

Additional loan purposes for farmownership and soil and water loans were authorized in 1962 by Public Law 87-703. Farmownership loans were authorized for recreational enterprises on family farms and for fish farming. Important new authorizations were also provided to enable the Farmers Home Administration to make or insure loans to associations for shifts in land use, including the development of recreational facilities. Greater emphasis has been placed on making loans for forestry purposes since that time.

Applications for insured farmownership and soil and water conservation loans to individuals were received during fiscal 1964 at the rate of 3,198 per month, and loans were made at the rate of 1,235 per month. Initial farmownership loans averaged about \$16,965. The demand for insured loans for all purposes in fiscal 1964 resulted in a total commitment of the \$200 million authorization by early May in 1964. In fact, the insurance authorization only permitted the making of loans to approximately 50 percent of the applicants qualifying for loans.

There were 14,837 applications for farmownership and individual soil and water loans on hand June 30, 1964, and this number increased to 16,324 by December 31, 1964. During that period loans were made at over 1,200 per month.

Under Public Law 87-128, a source of credit has been made available to small rural communities in the United States which do not have an adequate and safe water supply. In closely settled rural communities, it is difficult and costly to obtain and develop sources of water supply free from contamination or pollution. In addition to the 15,000 rural towns which do not now have domestic water systems, there are many thousands of fairly heavily settled rural areas in which the use of individual family shallow wells creates the hazard of contaminated domestic water supply which can be remedied either by obtaining water from deep wells or the development of a group domestic water system.

The Farmers Home Administration has found that the new water development legislation has created tremendous demands for loans throughout the entire Nation as reflected by 1,429 applications now on hand. In 1960, soil and water conservation loans to associations were made in only 10 States; in fiscal 1963, they were made in 34 States; and in fiscal 1964, such loans were made in 39 States. These loans have averaged about \$120,000 each. During the first half of this fiscal year, 167 loans have been made for \$19 million.

These loans are available only to individuals and organizations which cannot secure the necessary financing from other credit sources. Credit is usually not available for establishing a new water distribution system by a nonpublic agency. Even where a new system is undertaken by such public bodies as small rural towns and rural water districts, they are unable to provide the needed revenue required by commercial-type investors. Hence, if rural areas are to be served with satisfactory water supplies and distribution systems which are essential factors in maintaining our rural health and economy, it will be largely through the credit available under Federal programs.

Of significant importance in addition to the new authorizations to serve small towns and rural communities is the authorization to make or insure loans to associations for shifts in land use. Generally, such shifts in land use will result in a reduction in the production of crops that are in surplus supply. This will enable small towns and non-profit organizations to obtain loans through the Farmers Home

Administration for the purpose of developing recreational facilities, such as community swimming pools, little league baseball fields, fishing lakes, and many other facilities for healthful outdoor recreation which can be enjoyed by families living in the community and surrounding urban areas. The demand for shifts in land use appears to be increasing rapidly as rural communities which have long been in need of revitalization seek to provide important public improvements. A lack of credit for such improvements has plagued rural areas for many decades.

An increase in the authorized amount of insured loans will reduce the need for direct Government loan funds for farmownership and soil and water loans. During fiscal 1964, the obligation of direct funds was discontinued for several months while the \$200 million of insured loan authority was available. Under current money market conditions, an increase in the insured loan authorizations would permit meeting the credit needs of more of the applicants for farmownership and soil and water loans with insured funds and would thus effect a saving in sums authorized to be obligated for direct loans. However, to effectively operate the proposed increased program of insured loans, the present limit of \$25 million of loans made from the fund and not disposed of at any one time should be increased to \$50 million. Section 2(c) of the bill would accomplish this by changing section 309(f)(1) of the act by increasing the figure from "25,000,000" to "50,000,000".

The proposed increase from \$25 to \$50 million in the limitation on the amount of loans that may be made out of the insurance fund, but not sold and insured at any one time, is necessary to prevent undue delays in closing loans for eligible applicants. Under the present \$200 million annual authority to insure loans approximately \$15 million of the \$25 million limitation is encumbered at all times. This encumbrance is the result of a time elapse between the date the insurance fund issues loan checks and the date the notes for such loans are received by the insurance fund. This time elapse is required for closing of loans in the field offices. After the notes are received by the insurance fund they are sold to investors as soon as possible, thereby keeping the loans in the fund at any one time below the present \$25 million limitation. The proposed increase in the annual loan insurance authority from \$200 to \$450 million, if enacted, would cause the amount of loans that would normally be in the insurance fund to exceed the \$25 million limitation because of the time required between issuance of checks and receipt of notes for sale. Therefore, unless the limitation is increased, loan making activities will be delayed. It would also be desirable to be able to accumulate some notes in the insurance fund so that large orders from investors could be filled more expeditiously. The change to \$50 million would not permit additional loans to be made above the annual legislative ceilings and it would not add any additional cost to the Government.

Section 2 (2) and (3) would change the act as follows: (1) section 308 would be amended in clause (a) by striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; (2) by striking clause (b), section 308, and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan."; and (3) section 309(e) of such act would be amended by striking out "such portion of the charge

collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge."

These changes are necessary to assure a continuing availability of private funds for the making of insured loans or the purchase of loans made out of the fund to be sold and insured because of fluctuations in the investment market. Under these changes the yield to the investor could be made comparable to the yield of other obligations on the market. By varying the amount retained by the Secretary out of payments by the borrower, the amount payable to the investor could be increased without sale of the loan at less than the balance due on the obligation at the time of the sale. The amount to be retained would be determined by the Secretary at the time of loan closing or original sale out of the fund and could be varied upon resale of the loan after repurchase by the Secretary pursuant to the repurchase agreement in the insurance endorsement. The period of nonredemption by the Secretary would be left to the discretion of the Secretary as a further aid in the sale and insurance of loans.

The flexibility proposed in the foregoing changes is essential in order to enable the Secretary to adjust the rate of return to the lender and the period of nonredemption in accordance with the changing conditions of the money market and thus attract the investment of private funds in these insured loans.

The need for funds for salaries and other administrative expenses for the broadened insured loan program will be increased for fiscal year 1966. In order to provide for processing loan applications and servicing the increased number of insured loans which would be authorized under the proposed increase of \$250 million, additional personnel will be needed throughout the United States.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

(S) ORVILLE L. FREEMAN.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961

* * * * *

Sec. 306. (a) [The Secretary also is authorized to make or insure loans to associations, including corporations not operated for profit and public and quasi-public agencies, to provide for the application or establishment of soil conservation practices, shifts in land use including the development of recreational facilities, the conservation,

development, use, and control of water and the installation or improvement of drainage facilities, all primarily for serving farmers, ranchers, farm tenants, farm laborers, and rural residents, and to furnish financial assistance or other aid in planning projects for such purposes. No such loans shall be made or insured which would cause an association's unpaid principal indebtedness under this section and the Act of August 28, 1937, as amended, to exceed \$500,000 in the case of direct loans and \$1,000,000 in the case of insured loans at any one time.】 (1) *The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.*

(2) *The Secretary is authorized to make grants aggregating not to exceed \$25,000,000 in any fiscal year to such associations to finance specific projects for works for the storage, treatment, purification, or distribution of water in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed the lesser of (i) 50 per centum of the development cost of that portion of the facility necessary to enable the project to serve the area which can be feasibly served by the facility and to adequately serve the reasonable foreseeable growth needs of the area, or (ii) that portion of the development costs which are above the probable ability of the association to repay a loan for such purposes from income or assessments levied at a rate or charge for service within the ability of a majority of the users to accept and pay for such service and maintain a reasonable standard of living: Provided, however, That in determining the ability of a public body to repay, consideration shall be given to any applicable legal debt ceiling or tax or assessment limits and to any other improvements contemplated to be financed within those limits.*

(3) *No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonable foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.*

(4) *The term "development cost" means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.*

(5) *No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with*

the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

(7) Rural areas, for the purpose of water systems, shall include any area primarily engaged in or associated with agriculture and not having a population in excess of five thousand inhabitants.

(b) The service provided or made available through any such association shall not be curtailed or limited by inclusion of the area served by such association within the boundaries of any municipal corporation or other public body, or by the granting of any private franchise for similar service within such area during the term of such loan; nor shall the happening of any such event be the basis of requiring such association to secure any franchise, license, or permit as a condition to continuing to serve the area served by the association at the time of the occurrence of such event.

* * * * *

SEC. 308. Loans under this subtitle may be insured by the Secretary, aggregating not more than **[\$200,000,000]** *\$450,000,000* in any one year, whenever funds are advanced or a loan is purchased by a lender other than the United States. In connection with insurance of loans, the Secretary—

(a) is authorized to make agreements with respect to the servicing of loans insured hereunder and to purchase such loans on such terms and conditions as he may prescribe, [except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note;] and

[(b) shall retain out of payments by the borrower a charge at a rate determined by the Secretary from time to time equivalent to not less than one-half of 1 per centum per annum on the principal unpaid balance of the loan.]

(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan.

SEC. 309. (a) The fund established pursuant to section 11 (a) of the Bankhead-Jones Farm Tenant Act, as amended, shall hereafter be called the Agricultural Credit Insurance Fund and is hereinafter in this subtitle referred to as the "fund". The fund shall remain available as a revolving fund for the discharge of the obligations of the Secretary under agreements insuring loans under this subtitle and loans and mortgages insured under prior authority.

(b) Moneys in the fund not needed for current operations shall be deposited in the Treasury of the United States to the credit of the fund or invested in direct obligations of the United States or obligations guaranteed by the United States. The Secretary may purchase with money in the fund any notes issued by the Secretary to the Secretary of the Treasury for the purpose of obtaining money for the fund.

(c) The Secretary is authorized to make and issue notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations under this section and for authorized expenditures out of the fund. Such notes shall be in such form and

denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the notes issued by the Secretary under this subtitle. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and, for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purpose for which such securities may be issued under such Act, as amended, are extended to include the purchase of notes issued by the Secretary. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States.

(d) Notes and security acquired by the Secretary in connection with loans insured under this subtitle and under prior authority shall become a part of the fund. Notes may be held in the fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof at the balance due thereon, or on such other basis as the Secretary may determine from time to time. All net proceeds from such collections, including sales of notes or property, shall be deposited in and become a part of the fund.

(e) The Secretary shall deposit in the fund [such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge] *all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge shall be available for administrative expenses of the Farmers Home Administration, to be transferred annually and become merged with any appropriation for administrative expenses.*

(f) The Secretary may utilize the fund—

(1) To make loans which could be insured under this subtitle whenever the Secretary has reasonable assurance that they can be sold without undue delay, and may sell and insure such loans. The aggregate of the principal of such loans made and not disposed of shall not exceed **[\$25,000,000]** *\$50,000,000* at any one time;

* * * * *



S. 1766

[Report No. 500]

IN THE SENATE OF THE UNITED STATES

APRIL 13, 1965

Mr. AIKEN (for himself, Mr. MANSFIELD, Mr. ALLOTT, Mr. ANDERSON, Mr. BARTLETT, Mr. BASS, Mr. BAYH, Mr. BENNETT, Mr. BIBLE, Mr. BOGGS, Mr. BREWSTER, Mr. BURDICK, Mr. BYRD of West Virginia, Mr. CANNON, Mr. CARLSON, Mr. CHURCH, Mr. CLARK, Mr. COOPER, Mr. COTTON, Mr. CURTIS, Mr. DIRKSEN, Mr. DODD, Mr. DOMINICK, Mr. DOUGLAS, Mr. EASTLAND, Mr. ELLENDER, Mr. ERVIN, Mr. FANNIN, Mr. FULBRIGHT, Mr. GORE, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. HAYDEN, Mr. HICKENLOOPER, Mr. HILL, Mr. HRUSKA, Mr. INOUE, Mr. JACKSON, Mr. JAVITS, Mr. JORDAN of North Carolina, Mr. JORDAN of Idaho, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. KUCHEL, Mr. LAUSCHIE, Mr. LONG of Missouri, Mr. LONG of Louisiana, Mr. MAGNUSON, Mr. MCCARTHY, Mr. MCCLELLAN, Mr. MCGEE, Mr. MCGOVERN, Mr. MCINTYRE, Mr. MCNAMARA, Mr. METCALF, Mr. MILLER, Mr. MONDALE, Mr. MONRONEY, Mr. MONTOYA, Mr. MORSE, Mr. MORTON, Mr. MOSS, Mr. MUNDT, Mr. MURPHY, Mr. MUSKIE, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PEARSON, Mr. PELL, Mr. PROUTY, Mr. PROXMIRE, Mr. RANDOLPH, Mr. RIBICOFF, Mr. RUSSELL of South Carolina, Mr. SALTONSTALL, Mr. SCOTT, Mr. SIMPSON, Mr. SMATHERS, Mrs. SMITH, Mr. SPARKMAN, Mr. STENNIS, Mr. TALMADGE, Mr. THURMOND, Mr. TOWER, Mr. TYDINGS, Mr. WILLIAMS of New Jersey, Mr. WILLIAMS of Delaware, Mr. YARBOROUGH, Mr. YOUNG of North Dakota, and Mr. YOUNG of Ohio) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

JULY 22, 1965

Reported by Mr. AIKEN, with amendments

[Omit the part struck through and insert the part printed in *italic*]

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water

supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 306 (a) of the Consolidated Farmers Home Ad-
4 ministration Act is amended to read as follows:

5 “(1) The Secretary is also authorized to make or insure
6 loans to associations, including corporations not operated for
7 profit, and public and quasi-public agencies to provide for the
8 application or establishment of soil conservation practices,
9 shifts in land use, the conservation, development, use, and
10 control of water, and the installation or improvement of drain-
11 age facilities, and recreational developments, all primarily
12 serving farmers, ranchers, farm tenants, farm laborers, and
13 other rural residents, and to furnish financial assistance or
14 other aid in planning projects for such purposes.

15 “(2) The Secretary is authorized to make grants aggre-
16 gating not to exceed \$25,000,000 in any fiscal year to such
17 associations to finance specific projects for works for the
18 storage, treatment, purification, or distribution of water in
19 rural areas. The amount of any grant made under the au-
20 thority of this paragraph shall not exceed the lesser of (i)

1 ~~40~~ 50 per centum of the development cost of that portion of
 2 the facility necessary to enable the project to serve the
 3 area which can be feasibly served by the facility and to
 4 adequately serve the reasonable foreseeable growth needs of
 5 the area, *or* (ii) that portion of the development costs which
 6 are above the probable ability of the association to repay a
 7 loan for such purposes from income or assessments levied at
 8 a rate or charge for service within the ability of a majority
 9 of the users to accept and pay for such service and maintain
 10 a reasonable standard of living; ~~or (iii) that part of the de-~~
 11 ~~velopment cost of a facility constructed by a public body~~
 12 ~~which is in excess of the costs which can be financed within~~
 13 ~~the amount of obligations or levies permitted by law for~~
 14 ~~which alternate revenue financing is not available: Provided,~~
 15 *however, That in determining the ability of a public body to*
 16 *repay, consideration shall be given to any applicable legal debt*
 17 *ceiling or tax or assessment limits and to any other improve-*
 18 *ments contemplated to be financed within those limits.*

19 “(3) No grant shall be made under paragraph 2 of this
 20 subsection in connection with any facility unless the Secre-
 21 tary determines that the project (i) will serve a rural area
 22 which is not likely to decline in population below that for
 23 which the facility was designed, (ii) is designed and con-
 24 structed so that adequate capacity will be or can be made
 25 available to serve the present population of the area to the

1 extent feasible and to serve the reasonable foreseeable growth
 2 needs of the area, or (iii) is necessary for orderly com-
 3 munity development consistent with a comprehensive com-
 4 munity water development plan of the rural area and not
 5 inconsistent with any planned development under State,
 6 county, or municipal plans approved as official plans by
 7 competent authority for the area in which the rural com-
 8 munity is located. Until October 1, 1968, the Secretary
 9 may make grants prior to the completion of the compre-
 10 hensive plan, if the preparation of such plan has been under-
 11 taken for the area.

12 “(4) The term ‘development cost’ means the cost of
 13 construction of a facility and the land, easements, and rights-
 14 of-way, and water rights necessary to the construction and
 15 operation of the facility.

16 “(5) No loan *or grant* shall be made under this subsec-
 17 tion which would cause the unpaid principal indebtedness
 18 of any association under this Act and under the Act of
 19 August 28, 1937, as amended, together with the amount
 20 of any assistance in the form of a grant to exceed \$4,000,000
 21 at any one time.

22 “(6) The Secretary may make grants aggregating not
 23 to exceed \$5,000,000 in any fiscal year to ~~any public body~~
 24 ~~or such other agency~~ *public bodies or such other agencies*
 25 as the Secretary may determine having authority to prepare

1 official comprehensive plans for the development of water
2 systems in rural areas which ~~does~~ *do* not have funds avail-
3 able for immediate undertaking of the preparation of such
4 plan.

5 “(7) Rural areas, for the purpose of water systems,
6 shall include any area ~~not included within the boundaries of~~
7 ~~any incorporated or unincorporated city, village, or borough~~
8 *primarily engaged in or associated with agriculture and not*
9 having a population in excess of five thousand inhabitants.”

10 SEC. 2. Section 308 of the Consolidated Farmers Home
11 Administration Act of 1961 is amended by—

12 (1) striking out “\$200,000,000” and inserting in
13 lieu thereof “\$450,000,000”;

14 (2) in clause (a) striking out “except that no
15 agreement shall provide for purchase by the Secretary
16 at a date sooner than three years from the date of the
17 note”; and

18 (3) striking out clause (b) and inserting in lieu
19 thereof “(b) may retain out of payments by the bor-
20 rower a charge at a rate specified in the insurance agree-
21 ment applicable to the loan”.

22 (b) Section 309 (e) of such Act is amended by striking
23 out “such portion of the charge collected in connection with
24 the insurance of loans at least equal to a rate of one-half of
25 1 per centum per annum on the outstanding principal obliga-

1 tions and the remainder of such charge” and inserting in
2 lieu thereof “all or a portion, not to exceed one-half of 1 per
3 centum of the unpaid principal balance of the loan, of any
4 charge collected in connection with the insurance of loans;
5 and any remainder of any such charge”.

6 (c) Section 309 (f) (1) of such Act is amended by
7 striking out “\$25,000,000” and inserting in lieu thereof
8 “\$50,000,000”.

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

By Mr. AIKEN, Mr. MANSFIELD, Mr. ALLOT, Mr. ANDERSON, Mr. BARTLETT, Mr. BASS, Mr. BAYH, Mr. BENNETT, Mr. BIBLE, Mr. BOGGS, Mr. BREWSTER, Mr. BURDICK, Mr. BYRD of West Virginia, Mr. CANNON, Mr. CARLSON, Mr. CHURCH, Mr. CLARK, Mr. COOPER, Mr. COTTON, Mr. CURTIS, Mr. DIRksen, Mr. DODD, Mr. DOMINICK, Mr. DOUGLAS, Mr. EASTLAND, Mr. ELLENDER, Mr. EVY, Mr. FANNIN, Mr. FULBRIGHT, Mr. GORE, Mr. GRUENING, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. HAYDEN, Mr. HICKENLOOPER, Mr. HILL, Mr. HRUSKA, Mr. ISOUYE, Mr. JACKSON, Mr. JAVITS, Mr. JORDAN of North Carolina, Mr. JORDAN of Idaho, Mr. KENNEDY of Massachusetts, Mr. KENNEDY of New York, Mr. KUCHEL, Mr. LAUSCHE, Mr. LONG of Missouri, Mr. LONG of Louisiana, Mr. MAGNUSON, Mr. MCCARTHY, Mr. McCELLAN, Mr. McGEE, Mr. MCGOVERN, Mr. MCINTYRE, Mr. McNAMARA, Mr. METCALF, Mr. MILLER, Mr. MONDALE, Mr. MONROE, Mr. MONTGOMERY, Mr. MORSE, Mr. MORTON, Mr. MOSS, Mr. MUNDY, Mr. MURPHY, Mr. MUSKIE, Mr. NELSON, Mrs. NEUBERGER, Mr. PASTORE, Mr. PEARSON, Mr. PELL, Mr. PROUTY, Mr. PROXMIER, Mr. RANDOLPH, Mr. RIBICOFF, Mr. RUSSELL of South Carolina, Mr. SALTONSTALL, Mr. SCOTT, Mr. SIMPSON, Mr. SMATHERS, Mrs. SMITH, Mr. SPARKMAN, Mr. STENNIS, Mr. TALMADGE, Mr. THURMOND, Mr. TOWER, Mr. TYDINGS, Mr. WILLIAMS of New Jersey, Mr. WILLIAMS of Delaware, Mr. YARBOROUGH, Mr. YOUNG of North Dakota, and Mr. YOUNG of Ohio

APRIL 13, 1965

Read twice and referred to the Committee on Agriculture and Forestry

JULY 22, 1965

Reported with amendments

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

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HIGHLIGHTS. Senate passed: Rural water facilities bill. Bill to permit diversion payments on acreage affected by disaster. Extension of International Wheat Agreement. USDA administrative omnibus bill. Spruce Knob-Seneca Rocks recreation area bill. Tobacco allotment lease bill. House received conference report on housing bill. Sen. Williams, Del., criticized cotton provisions of House farm bill.

SENATE

1. LOANS. Passed as reported S. 1766, which includes provisions as follows:
Replaces the present \$500,000 limit on direct loans and the \$1 million limit on insured loans by the Farmers Home Administration to associations with a \$4 million limit on loans and grants to any association for soil conservation, changes in land use, water use and control, drainage, and recreation.
Authorizes grants of up to \$25 million per fiscal year to associations to finance water facilities serving rural areas. Authorizes grants of up to \$5 million per fiscal year for assistance in preparation of comprehensive plans for development of water systems in rural areas. Increases the limit on FHA-insured real estate loans in any one year from \$200 million to \$450 million. Increases the amount of loans made from the FHA insurance fund which the Secretary can hold at any one time for future sale from \$25 million to \$50 million. pp. 17365-7

2. ADMINISTRATIVE PROVISIONS; OMNIBUS BILL. Passed without amendment H. R. 5508, to facilitate the work of this Department (pp. 17372-3). This bill will now be sent to the President. See Digest 35 for provisions of the bill.
3. DISASTER RELIEF. Passed without amendment H. R. 8620, to permit farmers in disaster areas to comply with the technical requirements of acreage reduction agreements, if floods or other natural disasters prevent them from planting cotton, wheat, and feed grains, and thus to be eligible for the benefits to which they are entitled under such agreements (p. 17371). This bill will now be sent to the President.
4. NATIONAL PARK. Passed without amendment H. R. 903, to enlarge the boundaries of the Kings Canyon National Park, Calif., to include additional lands (p. 17365). This bill will now be sent to the President.
5. TOBACCO. Passed as reported S. 1271, to authorize for two additional years (1966 and 1967 crop years) the transfer, by lease, of tobacco acreage allotments from one farm to another within the same county. pp. 17371-2
6. PEANUTS. Passed without amendment S. 1270, to extend for two additional years (1966 and 1967 crop years) the present exemption of peanuts for boiling from marketing quotas. p. 17372
7. WHEAT. Passed without amendment S. 2294, to extend the operation of the International Wheat Agreement Act until July 31, 1966. p. 17372
8. FORESTRY; RECREATION. Passed as reported S. 7, to authorize the Secretary of Agriculture to establish the Spruce Knob-Seneca Rocks National Recreation Area, W. Va., from lands within and adjacent to the Monongahela National Forest. pp. 17373-6
9. TRANSPORTATION. Passed as reported S. 1588, to authorize the Secretary of Commerce to undertake research and development of high-speed ground transportation. pp. 17363, 17404-9
Sen. Douglas commended the reappointment of Adm. John Harllee as Chairman of the Federal Maritime Commission as reassurance "that the Commission will continue to investigate this complicated question of freight rate differentials and their adverse effects upon American exports." p. 17390
10. COTTON. Sen. Williams, Del., reviewed and criticized the cotton provisions of H. R. 9715, the Cooley cotton bill; pp. 17376-7
11. FOREIGN AID. Sen. Williams, Del., criticized the donation of corn under Public Law 480 to the United Arab Republic as "another glaring waste under our AID program." pp. 17391-2
12. FARM PROGRAM. Sen. Miller expressed his views on the current farm situation and reviewed certain "defects" in the administration farm program. pp. 17392-4
13. INTERNATIONAL COOPERATION. Sens. Clark, Church, Ribicoff, Boggs, Miller, and Pearson were appointed members of the White House Committee on International Cooperation. p. 17383
14. ADJOURNED until Mon., July 26. p. 17411

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill was read the third time and passed.

Mr. COOPER. Mr. President, the Senator knows that this is one of the recommendations made by the President's Commission which investigated the assassination of the late President Kennedy.

Mr. MANSFIELD. Yes, indeed, and it is on the basis of those recommendations that the proposed legislation is now before the Senate.

Mr. COOPER. I know that.

Mr. MANSFIELD. Mr. President, I move that the vote by which the bill was passed be reconsidered.

Mr. DIRKSEN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

KINGS CANYON NATIONAL PARK, CALIF.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 483, H.R. 903.

The VICE PRESIDENT. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 903) to add certain lands to the Kings Canyon National Park in the State of California, and for other purposes.

The VICE PRESIDENT. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill.

Mr. KUCHEL. Mr. President, H.R. 903, passed by the House and reported to this body by the Interior Committee with a recommendation to pass, authorizes the addition of approximately 5,500 acres of land to the Kings Canyon National Park in California. All of the acreage, with the exception of 80 acres which is private land, is already in the ownership of the Federal Government. The additional 80 acres would cost the Government only \$5,100.

The land was not originally included in Kings Canyon Park so that studies could be made to see if the area was suitable for water or power development. The studies have been completed and all are in agreement that it would not be feasible for water storage projects, and there is no local objection to including the area in the park system. As a matter of fact, over half of the property is already being administered by the National Park Service under an agreement with the Forest Service.

The area lies on the South Fork and Middle Fork of the Kings River, is an awe-inspiring vista similar to Yosemite Valley, and is a logical addition to a magnificent park.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 499), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE

The purpose of H.R. 903 is to enlarge the boundaries of the Kings Canyon National Park, Calif., to include two areas, Cedar Grove (about 2,880 acres) and Tehipite Valley (about 2,740 acres), which are now excluded from it.

NEED

Kings Canyon National Park was established by the act of March 4, 1940 (54 Stat. 41). When its boundaries were fixed at that time, the Cedar Grove and Tehipite Valley areas, though recognized to be of national park stature, were omitted because of the possibility that they might be useful for water storage projects. Studies in the meantime have indicated that such developments shall not be undertaken, and the opposition to inclusion of these two areas in the national park has evaporated.

The inclusion of these two areas in the park will assist in protecting and preserving them and will, in addition, enhance the attractiveness of the park to the public. The Cedar Grove area, now a part of the Sequoia National Forest, provides an entrance to the park. It is already being administered by the National Park Service under a memorandum of understanding with the Forest Service and was visited by nearly 150,000 persons during 1964. The Tehipite Valley area, on the other hand, is a part of the Sierra National Forest. It has been described as "an unaltered wilderness gem, accessible only to hikers and horsemen." It is expected that it will continue to be administered without any development except, possibly, trails.

All but 80 acres of the land within the Cedar Grove and Tehipite Valley areas is already in the ownership of the Government. The estimated cost of acquiring the 80 acres of private land is about \$5,100. The committee recommends strongly that the National Park Service acquire these 80 acres and such other inholdings as exist within Kings Canyon National Park at as early a date as possible.

The VICE PRESIDENT. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill was ordered to a third reading, was read the third time, and passed.

RURAL WATER FACILITIES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 484, S. 1766.

The VICE PRESIDENT. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 1766) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes, which had been reported from the Committee on Agriculture and Forestry with amendments on page 3, at the beginning of line 1, to strike out "40" and insert "50"; in line 5, after the word "area", to insert "or"; in line 10, after the word "living", to strike out the comma and

"or (iii) that part of the development cost of a facility constructed by a public body which is in excess of the costs which can be financed within the amount of obligations or levies permitted by law for which alternate revenue financing is not available" and insert ": *Provided, however, That in determining the ability of a public body to repay, consideration shall be given to any applicable legal debt ceiling or tax or assessment limits and to any other improvements contemplated to be financed within those limits.*"; on page 4, line 16, after the word "loan", to insert "or grant"; in line 23, after the word "to", where it appears the second time, to strike out "any public body or such other agency" and insert "public bodies or such other agencies"; on page 5, line 2, after the word "which", to strike out "does" and insert "do"; and in line 6, after the word "area", to strike out "not included within the boundaries of any incorporated or unincorporated city, village, or borough" and insert "primarily engaged in or associated with agriculture and not"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

"(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

"(2) The Secretary is authorized to make grants aggregating not to exceed \$25,000,000 in any fiscal year to such associations to finance specific projects for works for the storage, treatment, purification, or distribution of water in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed the lesser of (i) 50 per centum of the development cost of that portion of the facility necessary to enable the project to serve the area which can be feasibly served by the facility and to adequately serve the reasonable foreseeable growth needs of the area, or (ii) that portion of the development costs which are above the probable ability of the association to repay a loan for such purposes from income or assessments levied at a rate or charge for service within the ability of a majority of the users to accept and pay for such service and maintain a reasonable standard of living: *Provided, however, That in determining the ability of a public body to repay, consideration shall be given to any applicable legal debt ceiling or tax or assessment limits and to any other improvements contemplated to be financed within those limits.*

"(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonable foreseeable growth needs of the area, or (iii) is necessary for orderly com-

munity development consistent with a comprehensive community water development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) The term 'development cost' means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(5) No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purpose of water systems, shall include any area primarily engaged in or associated with agriculture and not having a population in excess of five thousand inhabitants."

SEC. 2. Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f)(1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000".

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the committee amendments be considered en bloc.

The VICE PRESIDENT. Without objection, the amendments are considered and agreed to en bloc.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 500), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

EXPLANATION OF BILL

In general, this bill would provide for grants and increased loans for water facilities in rural agricultural areas. It would also expand the Farmers Home Administration insured loan authority and provide

means of making such loans more attractive to investors through better yields and repurchase agreements.

With the committee amendments, it would—

1. Replace the present \$500,000 limit on direct loans, and \$1 million limit on insured loans, to any association under section 306(a) of the Consolidated Farmers Home Administration Act with a \$4 million limit on loans and grants to any association under that section. Loans under that section are made for soil conservation, changes in land use, water use and control, drainage, and recreation, primarily serving farmers, ranchers, and other rural residents. Construction grants are not now authorized, but would be authorized by the bill for water systems;

2. Authorize grants of up to \$25 million per fiscal year to associations to finance water facilities serving rural areas. No grant could exceed either 50 percent of the development cost or that part which is in excess of the association's ability to finance. No grants could be made for facilities to serve areas with populations likely to decline below that for which the facility is designed, facilities with inadequate capacities, or facilities which are not needed or are inconsistent with State, county, or municipal development plans;

3. Authorize grants of up to \$5 million per fiscal year for assistance in preparation of comprehensive plans for development of water systems in rural areas;

4. Define "rural areas" for the purpose of water systems as areas primarily engaged in or associated with agriculture and not having a population in excess of 5,000;

5. Increase the limit on loans which may be insured under subtitle A of the Consolidated Farmers Home Administration Act (real estate and similar loans) in any one year from \$200 million to \$450 million;

6. Repeal the provision prohibiting agreements by the Secretary to purchase such insured loans in less than 3 years from the date of the note;

7. Permit the Secretary to fix the insurance charge retained by him from borrowers' payments, and the portion of such charge deposited in the insurance fund (instead of at least one-half of 1 percent of the outstanding principal obligation in each case). The portion of the charge deposited in the fund could not exceed one-half of 1 percent of the outstanding principal balance; and

8. Increase the amount of loans made from the insurance fund which the Secretary can hold at any one time for future sale to \$50 million (from \$25 million).

NEED FOR THE BILL

All over the United States and particularly in the dairy areas farmers are finding it increasingly difficult to meet the high sanitary requirements for food production with old-fashioned supplies of water.

Not just any water will do these days—it must be clean and chemically acceptable.

Rural communities, some 30,000 of them, need new water systems for food processing, for preparing vegetables for market, for fire protection, for maintaining local industries, and for household uses.

Until this need is met, these communities cannot grow and make their proper contribution to the overall growth of the Nation.

Until this need is met, they cannot absorb their part of the increasing population of our country—estimated at 100 million gain within the next generation.

Many communities where a new water supply would result in increased population and an expanded economy are presently unable to meet the cost by themselves.

The Senate has already approved authority for grants to political bodies to assist in providing water facilities for urban people. Our citizens in rural areas have the same need and are entitled to the same degree of assistance. The Farmers Home Administration has the

experience and knowledge necessary to solve the special problems involved in providing water to rural areas.

In its implementation of this law, the committee understands that the Farmers Home Administration will establish guidelines or standards of economic feasibility which will assure the most economical use of the Federal funds available to carry out the purposes of this legislation; and will also establish technical and engineering standards to assure proper construction of the facilities being financed under this law.

The need for the expanded insured loan authority provided by section 2 of the bill is described fully in the report of the Department of Agriculture on S. 709. In addition, the Department has advised the committee that applications for \$84,024,395 in farm ownership loans were held over from fiscal 1965 because of lack of funds, and that it estimates new applications in fiscal 1966 for farm ownership loans which would be made but for lack of funds at \$345,975,605, or a total demand for farm ownership loans for 1966 of \$430 million. It also estimates applications for association loans under section 306 in its present form during fiscal 1966 at \$361,071,850, making a total demand by qualified applicants of over \$791 million.

Mr. RANDOLPH. Mr. President, it is gratifying to know that the Senate Committee on Agriculture and Forestry has reported favorably S. 1766, the rural water facilities bill. The need for this legislation is known to all of us as evidenced by the number of Senators who have joined in sponsoring the measure. I congratulate the distinguished Senator from Vermont, the principal sponsor of S. 1766, for his active leadership and perseverance in moving this vital proposal to fruition. There are approximately 30,000 rural communities in the United States which require new water systems for industry, farming, fire protection, household purposes, and many other uses. This is a critical situation in West Virginia where over 60 percent of the people are rural residents. This is a matter which often receives little recognition due to the fantastic expansion of urban areas—a problem which has commanded considerable attention and effort from public and private agencies. But for continued social and economic progress and our national growth we cannot serve our cities to the exclusion of rural citizens. The requirement is for coordinated development of rural and urban areas. As the Senator from Vermont cogently pointed out when he introduced this legislation, "America must spread out. Instead of continuing the drain from rural America to the urban areas, we should make the conveniences of the cities, provided for with public funds, also available to the smaller cities, the town and rural communities." The unprecedented increase in population cannot be absorbed by our metropolitan areas alone; it will require large cities and rural communities. To meet the needs of an expanding America we must not fail to exploit the growth and development potential of our rural areas. I support S. 1766 and I am confident it will receive early Senate approval.

The VICE PRESIDENT. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill (S. 1766) was ordered to be engrossed for a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I move to reconsider the vote by which the Aiken bill was passed.

Mr. DIRKSEN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

LIMITATION ON STATEMENTS DURING TRANSACTION OF ROUTINE MORNING BUSINESS

On request by Mr. MANSFIELD, and by unanimous consent, statements during the transaction of routine morning business were ordered limited to 3 minutes.

DIRKSEN AMENDMENT—ONE MAN—TEN VOTES

Mr. DOUGLAS. Mr. President, I ask unanimous consent to have printed at this point in the RECORD a column entitled "Dirksen Amendment: One Man—Ten Votes," which was published in the Washington Post this morning by the eminent and impartial political commentator Mr. Roscoe Drummond.

There being no objection, the column was ordered to be printed in the RECORD, as follows:

[From the Washington (D.C.) Post, July 23, 1965]

DIRKSEN AMENDMENTS ONE MAN—TEN VOTES (By Roscoe Drummond)

The proposed Dirksen amendment is visibly losing support in Congress.

Its purpose is to reduce the effect of the Supreme Court decision that State legislatures must be reapportioned roughly on the basis of one man, one vote.

Its method is to amend the Constitution to allow voters in each State, if they so choose, to have one house apportioned on a basis other than population.

Here is what the argument is all about:

When in one county 30,000 people elect 2 State senators, for example, and a neighboring county of 300,000 elects 2 State senators, then the votes of the 30,000 count 10 times as much as the votes of the 300,000.

This was typical throughout the Nation at the time the Supreme Court ruled that such a practice violated the Constitution. Until the Court started reapportionment, a minority of the voters in 40 States elected either one or both houses of their legislatures. In effect, the Court said: "Give the larger counties more representation or the smaller counties less representation."

The Dirksen amendment, which aims to permit the voters of each State to keep one house from being reapportioned on a population basis, seems to many to be self-evidently reasonable. But is it? Let me raise some questions in the interest of reflecting about it.

Under the Constitution every eligible citizen has the right to vote for State officials as well as Federal officials. Should this right be diluted by any action which has the effect of saying that, while every citizen has the equal right to vote, some citizens are not to have the right to an equal vote?

Isn't the right to the vote and the right to cast an equal vote as precious as the right of free speech? Or free assembly? If so, should we amend the Constitution to allow the voters in even one State to deprive a citizen of any of these rights?

Is there any evidence that allowing unequal representation in one house will pro-

duce better State government? I haven't seen the advocates of the Dirksen amendment produce any such evidence.

During the past half century, as the flow of population has moved massively into the cities and suburbs, most State legislatures have been dominated by minority representation. The legislators have violated their own State constitutions by refusing to reapportion and have perpetuated such egregious distortions that the Supreme Court had no choice but to provide relief.

How is it that the election of one house on a basis other than population suddenly becomes so meritorious? Where were the advocates of minority representation when the cities were in the minority and the rural population the majority?

It is sometimes suggested that the Federal system is applicable to the States, that just as the States, regardless of size, are equally represented in the U.S. Senate, so should counties regardless of size be equally represented in State senates. Plausible, but one answer is that, while the Federal Government is composed of sovereign States, the States are not composed of sovereign counties.

Fortunately, there will be plenty of time for reflection before the amendment gets to the point of ratification—if it ever does.

Mr. DOUGLAS. Mr. President, the first paragraph of the column states:

The proposed Dirksen amendment is visibly losing support in Congress.

That is the first paragraph. In the final paragraph the following statement appears:

Fortunately, there will be plenty of time for reflection before the amendment gets to the point of ratification—if it ever does.

The subject is so important that we await with interest the speech of the minority leader, my junior colleague [Mr. DIRKSEN] in support of his amendment. I hope that there will be very thorough discussion of the issue in the hours and days which are to follow.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. DOUGLAS. Yes. I remind the Senator that I am speaking under the 3-minute limitation rule.

Mr. PROXMIRE. I understand. I was about to commend the Senator from Illinois for asking unanimous consent to have printed in the RECORD the column to which he referred. I planned to do the same thing.

The title of the column, it seems to me, is an excellent title for the Dirksen amendment. It is entitled "One Man—Ten Votes." Of course, it could also be called "One Man—One-Tenth of a Vote." I believe that that is an even better title than "The Rotten Borough Amendment."

Mr. DOUGLAS. In some cases it would be one man—a thousand votes.

Mr. PROXMIRE. The Senator from Illinois is correct. I hope that in looking at the article Senators will have an opportunity to read the three vital questions which are asked by Mr. Drummond in the course of his excellent column. To wit:

First. Under the Constitution every eligible citizen has the right to vote for State officials as well as Federal officials. Should this right be diluted by any action which has the effect of saying that, while every citizen has the equal right to vote, some citizens are not to have the right to an equal vote?

Second. Is not the right to the vote and the right to cast an equal vote as precious as the right of free speech? Or free assembly? If so, should we amend the Constitution to allow the voters in even one State to deprive a citizen of any of these rights?

Third. Is there any evidence that allowing unequal representation in one house will produce better State government? I have not seen the advocates of the Dirksen amendment produce such evidence.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States, submitting nominations, were communicated to the Senate by Mr. Geisler, one of his secretaries.

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

H.R. 8720. An act to amend the Organic Act of Guam to provide for the payment of legislative salaries and expenses by the Government of Guam;

H.R. 8721. An act to amend the Revised Organic Act of the Virgin Islands to provide for the payment of legislative salaries and expenses by the Government of the Virgin Islands; and

H.R. 8775. An act making appropriations for the legislative branch for the fiscal year ending June 30, 1966, and for other purposes.

JOINT RESOLUTION OF WISCONSIN LEGISLATURE

The VICE PRESIDENT laid before the Senate a joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on the Judiciary, as follows:

S.J. RES. 75

Joint resolution to memorialize the U.S. Congress to reject the pending amendments to the Federal Firearms Act (bill S. 1592, 89th Cong.)

Whereas pending before the Senate of the United States is bill S. 1592, 89th Congress, to amend the Federal Firearms Act; and

Whereas said proposal, while attempting to prevent a recurrence of the unfortunate events which tragically climaxed in the assassination of President John F. Kennedy, would have the effect of drastically limiting the privilege of every responsible American citizen to purchase hunting and sporting small arms, which privilege is inherent in the constitutionally guaranteed "right of the people to keep and bear arms"; and

Whereas the sportsmen of Wisconsin have been traditionally opposed to registration of small arms now proposed by S. 1592, 89th Congress; and

Whereas said proposal, by requiring license fees of \$500, not only would force many small, independent businesses out of existence, but would also make it impractical for the sportsman to reload cartridges for his own use and that of his friends; and

Whereas said proposal extends Federal regulation into an area in which the States themselves have already taken the initiative of most careful regulation, as witnessed by the provisions in the statutes of this

State pertaining to reckless use of weapons under sections 941.20 to 941.24, and pertaining to machineguns under chapter 164: Now, therefore, be it

Resolved, by the senate, the assembly concurring, That the Congress of the United States be and it is hereby respectfully memorialized to reject bill S. 1592, 89th Congress, in its present form, because said proposal places the enforcement emphasis on availability and possession of arms rather than on the reckless or criminal use of arms; and be it further

Resolved, That duly attested copies of this resolution be transmitted to the Secretary of the U.S. Senate, to the Chief Clerk of the U.S. House of Representatives, and to every Member of the congressional delegation from Wisconsin.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BIBLE, from the Committee on Interior and Insular Affairs, with amendments:

S. 251. A bill to provide for the establishment of the Cape Lookout National Seashore in the State of North Carolina, and for other purposes (Rept. No. 599).

REPORT ON DISPOSITION OF EXECUTIVE PAPERS

Mr. MONRONEY, from the Joint Select Committee on the Disposition of Papers in the Executive Departments, to which was referred for examination and recommendation a list of records transmitted to the Senate by the Archivist of the United States, dated July 13, 1965, that appeared to have no permanent value or historical interest, submitted a report thereon, pursuant to law.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. JACKSON (by request):

S. 2321. A bill to amend the act of August 31, 1964 (78 Stat. 751), relating to the satisfaction of scrip and similar rights; to the Committee on Interior and Insular Affairs.

(See the remarks of Mr. JACKSON when he introduced the above bill, which appears under a separate heading.)

By Mr. MAGNUSON (for himself and Mr. CLARK):

S. 2322. A bill to authorize the Secretary of Agriculture to regulate the transportation, sale, and handling of dogs and cats intended to be used for purposes of research or experimentation, and for other purposes; to the Committee on Commerce.

(See the remarks of Mr. MAGNUSON and Mr. CLARK when they introduced the above bill, which appear under a separate heading.)

By Mr. SPARKMAN (for himself and Mr. HILL):

S. 2323. A bill to direct the Secretary of the Interior to adjudicate a claim to certain lands in Washington County, Ala.; to the Committee on Interior and Insular Affairs.

By Mr. DOUGLAS:

S. 2324. A bill for the relief of Samardzic Boja (also known as Mary Warnick); and

S. 2325. A bill for the relief of Franca Mandarino, Marisa Mandarino and Franco Mandarino; to the Committee on the Judiciary.

By Mr. DIRKSEN:

S. 2326. A bill to establish a uniform national policy concerning proprietary rights in inventions made through the expenditure of public funds, and for other purposes; to the Committee on the Judiciary.

(See the remarks of Mr. DIRKSEN when he introduced the above bill, which appear under a separate heading.)

By Mr. MUNDT:

S.J. Res. 100. Joint resolution to provide for the designation of the period from August 31 through September 6 in 1965, as "National American Legion Baseball Week"; to the Committee on the Judiciary.

(See the remarks of Mr. MUNDT when he introduced the above joint resolution, which appear under a separate heading.)

SATISFACTION OF SCRIP AND SIMILAR RIGHTS

Mr. JACKSON. Mr. President, I introduce, by request, a bill submitted and recommended by the Secretary of the Interior relating to the satisfaction of scrip and similar rights.

In the last Congress legislation was enacted which at that time was believed to be all that was necessary to authorize the Department of the Interior to resolve the troublesome problem relating to scrip. However, the Congress has been advised by the Secretary that additional legislation is necessary to provide for the satisfaction of claims arising out of these particular land rights.

I ask unanimous consent that the letter submitted by the Under Secretary of the Interior be printed in full at this point in the RECORD.

The VICE PRESIDENT. The bill will be received and appropriately referred; and, without objection, the letter will be printed in the RECORD.

The bill (S. 2321) to amend the act of August 31, 1964 (78 Stat. 751), relating to the satisfaction of scrip and similar rights, introduced by Mr. JACKSON, by request, was received, read twice by its title, and referred to the Committee on Interior and Insular Affairs.

The letter presented by Mr. JACKSON is as follows:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., June 11, 1965.

Hon. HUBERT H. HUMPHREY,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed is a draft of a proposed bill to amend the act of August 31, 1964 (78 Stat. 751), relating to the satisfaction of scrip and similar rights.

We recommend that the proposed bill be referred to the appropriate committee for consideration, and we urgently recommend that it be enacted.

Section 7 of the Taylor Grazing Act provides that the Secretary of the Interior is authorized to examine and classify any public lands which are proper for acquisition in satisfaction of any outstanding scrip rights and to open such lands to selection for disposal in accordance with such classification. The act gives no legislative guidance as to the types or value of land that may be proper for acquisition. Absent such guidance, there has been little progress over the years toward satisfying scrip rights. The main problem has been one of land value. As a general rule scrip holders have selected the highest value lands. The Department has been reluctant to patent such high value lands.

Realizing that the final satisfaction of all outstanding scrip, some of which, issued more than a century ago, was desirable both from the standpoint of the holders of scrip and of the Government, this Department, in 1963, proposed legislation to establish a value standard for lands proper for acquisition in satisfaction of such outstanding scrip. This proposal, as amended, culminated in the enactment of Public Law 88-545 to provide for the satisfaction of claims arising out of scrip, lieu selection, and similar rights.

It was the Department's proposal that the land offered in satisfaction of scrip would be " * * of a value per acre of at least the average price received for land sold under the Small Tract Act during the 3 years prior to the date of appraisals of the offered lands." The average value of small tracts in 1963 was roughly \$200 per acre.

Throughout consideration of the proposed legislation this Department constantly urged that a value standard be adopted, preferably a specific maximum dollar figure per acre. We proposed that the act provide that "no property having a value greater than \$ _____ per acre of scrip right to be satisfied under this act shall be conveyed by the Secretary under this act."

The Department is now faced with a dilemma in implementing Public Law 88-545. The act sets a minimum value but no maximum value of the lands which may be offered in satisfaction of the scrip. Preliminary appraisals of lands patented for Valentine scrip indicate a minimum value on the order of \$1,250 per acre. We are concerned that this figure may be substantially in excess of what Congress was led to believe it would have been under the formula adopted. During consideration of the bill we advised the Congress, upon the limited information then available, that the value of lands patented in satisfaction of the Valentine scrip was about \$750 per acre.

The act is being interpreted by scrip holders as placing no upper limit on the value of land for which they may apply. One pending application covers land having a fair market value of approximately \$4,000 per acre. In view of the legislative history of Public Law 88-545, we have grave doubts that the Congress contemplated or intended this result. We did not envision any such result. One Valentine scrip holder testified before the House Public Lands Subcommittee indicating payment for Valentine scrip at about \$500 per acre.

While we have hesitated heretofore to recommend a specific figure to the Congress, we now believe that a maximum value of \$500 per acre, an amount equal to that cited in testimony, would be equitable both to scrip holders and to the Government.

We believe there are two other areas in the 1964 act which require modification. In order to give finality and definiteness, which we think was intended, the determination of average values should be based on the value of lands patented over the period from August 5, 1955, to August 31, 1964, the date of the enactment of Public Law 88-545. The alternative, of course, would be a moving average value, which would tend to creep upward in view of the statutory floor. Neither the law nor the committee reports advert to a cutoff date. Our suggested amendments include, therefore, a cutoff so that the value of lands patented under the 1964 law will not continually change the minimum standard. An appropriate amendment is suggested in the proposed bill.

Another question which has arisen is a possible interpretation of the law that does not permit a scrip holder, who may wish to acquire a particular piece of land, to do so if its value is below the minimum value standard. There may well be situations where it may be to the advantage of a scrip holder to obtain a piece of land of a value less than the minimum value standard. For

89TH CONGRESS
1ST SESSION

S. 1766

IN THE HOUSE OF REPRESENTATIVES

JULY 26, 1965

Referred to the Committee on Agriculture

AN ACT

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 306 (a) of the Consolidated Farmers Home Ad-
4 ministration Act is amended to read as follows:

5 “(1) The Secretary is also authorized to make or insure

1 loans to associations, including corporations not operated for
2 profit, and public and quasi-public agencies to provide for the
3 application or establishment of soil conservation practices,
4 shifts in land use, the conservation, development, use, and
5 control of water, and the installation or improvement of
6 drainage facilities, and recreational developments, all pri-
7 marily serving farmers, ranchers, farm tenants, farm laborers,
8 and other rural residents, and to furnish financial assistance
9 or other aid in planning projects for such purposes.

10 “(2) The Secretary is authorized to make grants aggre-
11 gating not to exceed \$25,000,000 in any fiscal year to such
12 associations to finance specific projects for works for the
13 storage, treatment, purification, or distribution of water in
14 rural areas. The amount of any grant made under the au-
15 thority of this paragraph shall not exceed the lesser of (i)
16 50 per centum of the development cost of that portion of the
17 facility necessary to enable the project to serve the area
18 which can be feasibly served by the facility and to ade-
19 quately serve the reasonable foreseeable growth needs of the
20 area, or (ii) that portion of the development costs which are
21 above the probable ability of the association to repay a loan
22 for such purposes from income or assessments levied at a rate
23 or charge for service within the ability of a majority of the
24 users to accept and pay for such service and maintain a rea-
25 sonable standard of living: *Provided, however,* That in deter-

1 mining the ability of a public body to repay, consideration
2 shall be given to any applicable legal debt ceiling or tax or
3 assessment limits and to any other improvements contem-
4 plated to be financed within those limits.

5 “(3) No grant shall be made under paragraph 2 of this
6 subsection in connection with any facility unless the Secre-
7 tary determines that the project (i) will serve a rural area
8 which is not likely to decline in population below that for
9 which the facility was designed, (ii) is designed and con-
10 structed so that adequate capacity will be or can be made
11 available to serve the present population of the area to the
12 extent feasible and to serve the reasonable foreseeable growth
13 needs of the area, or (iii) is necessary for orderly com-
14 munity development consistent with a comprehensive com-
15 munity water development plan of the rural area and not
16 inconsistent with any planned development under State,
17 county, or municipal plans approved as official plans by
18 competent authority for the area in which the rural com-
19 munity is located. Until October 1, 1968, the Secretary
20 may make grants prior to the completion of the compre-
21 hensive plan, if the preparation of such plan has been under-
22 taken for the area.

23 “(4) The term ‘development cost’ means the cost of
24 construction of a facility and the land, easements, and rights-

1 of-way, and water rights necessary to the construction and
2 operation of the facility.

3 “(5) No loan or grant shall be made under this subsec-
4 tion which would cause the unpaid principal indebtedness
5 of any association under this Act and under the Act of
6 August 28, 1937, as amended, together with the amount
7 of any assistance in the form of a grant to exceed \$4,000,000
8 at any one time.

9 “(6) The Secretary may make grants aggregating not
10 to exceed \$5,000,000 in any fiscal year to public bodies or
11 such other agencies as the Secretary may determine having
12 authority to prepare official comprehensive plans for the
13 development of water systems in rural areas which do not
14 have funds available for immediate undertaking of the prepa-
15 ration of such plan.

16 “(7) Rural areas, for the purpose of water systems,
17 shall include any area primarily engaged in or associated
18 with agriculture and not having a population in excess of five
19 thousand inhabitants.”

20 SEC. 2. (a) Section 308 of the Consolidated Farmers
21 Home Administration Act of 1961 is amended by—

22 (1) striking out “\$200,000,000” and inserting in
23 lieu thereof “\$450,000,000”;

24 (2) in clause (a) striking out “except that no
25 agreement shall provide for purchase by the Secretary

1 at a date sooner than three years from the date of the
2 note”; and

3 (3) striking out clause (b) and inserting in lieu
4 thereof “(b) may retain out of payments by the bor-
5 rower a charge at a rate specified in the insurance agree-
6 ment applicable to the loan”.

7 (b) Section 309 (e) of such Act is amended by striking
8 out “such portion of the charge collected in connection with
9 the insurance of loans at least equal to a rate of one-half of
10 1 per centum per annum on the outstanding principal obliga-
11 tions and the remainder of such charge” and inserting in
12 lieu thereof “all or a portion, not to exceed one-half of 1 per
13 centum of the unpaid principal balance of the loan, of any
14 charge collected in connection with the insurance of loans;
15 and any remainder of any such charge”.

16 (c) Section 309 (f) (1) of such Act is amended by
17 striking out “\$25,000,000” and inserting in lieu thereof
18 “\$50,000,000”.

Passed the Senate July 23, 1965.

Attest:

FELTON M. JOHNSTON,

Secretary.

AN ACT

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

JULY 26, 1965

Referred to the Committee on Agriculture

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued August 4, 1965
For actions of August 3, 1965
89th-1st; No. 141

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HIGHLIGHTS: House subcommittee approved bill to expand various FHA loan authorities. Rep. Adams commended USDA meat and poultry inspection service. Rep. Purcell commended USDA services for consumers. Rep. Hathaway defended price of potatoes. Senate committees reported Labor-HEW appropriation bill and proposed Intergovernmental Cooperation Act (grants-in-aid, etc.) Rep. Ryan introduced and discussed bill to establish Federal Water Commission.

SENATE

1. INTERGOVERNMENTAL RELATIONS. The Government Operations Committee reported with amendments S. 561, the proposed Intergovernmental Cooperation Act of 1965 (grants-in-aid, etc.) (S. Rept. 538). p. 18355
2. LABOR-HEW APPROPRIATION BILL, 1966. The Appropriations Committee reported with amendments this bill, H. R. 7765. (S. Rept. 537). p. 18355

3. PERSONNEL; PAYROLLING. Passed with amendments S. 1309, to authorize checks to be drawn in favor of financial organizations for the credit of a person's account, under certain conditions. p. 18460.
4. BALANCE OF PAYMENTS. Sen. Symington discussed the "continuing unfavorable balance of payments" situation. pp. 18372-4
5. HUNGER EXPLOSION. Sen. Mondale spoke on the "danger of the world's hunger explosion" and inserted two editorials, "The Poor Are Engulfing the Earth," and "U. S. Acts To Raise World Nutrition." pp. 18378-81
6. OCEANOGRAPHY. Sen. Murphy spoke in support of the bill to provide for expanded research in the oceans and the Great Lakes and to establish a National Oceanographic Council, and paid tribute to San Diego for "its world leadership" in this field. p. 18383
7. FALLOUT. Sen. Bartlett stated "the contamination of the Arctic Alaska food chain by radioactive fallout increases day by day" and urged that we step up our research on radiation and radiation surveillance and countermeasures. pp. 18471-5

HOUSE

8. LOANS. The Subcommittee on Conservation and Credit of the Agriculture Committee "approved for full committee action a subcommittee print (a clean bill to be introduced" to authorize grants and insured loans by the Farmers Home Administration for small community water systems and to increase the authorization for its insured real estate loans. p. D739.
9. SALINE WATER. Received the conference report on S. 24, to expand, extend, and accelerate the saline water conversion program of the Department of the Interior (H. Rept. 720). pp. 18499-500
10. MILITARY CONSTRUCTION. Received the conference report on H. R. 8439, the military construction bill, which includes an item for payment of CCC for certain family housing which was financed from the sale of surplus commodities (H. Rept. 713). pp. 18476-89
11. VOTING RIGHTS; PERSONNEL. Agreed to, 328 to 74, the conference report on S. 1564, the voting rights bill, which includes authorization for the Civil Service Commission to appoint examiners, including Federal employees, to consider cases in which it is alleged that persons have been denied the right to vote on account of race or color. pp. 18476, 18489-99
12. APPROPRIATIONS. The Government Operations Committee reported with amendment H. R. 6438, to authorize any Federal Department, or any bureau or office thereof, to make appropriate reimbursement between the respective appropriations available to such departments, or any bureau or office thereof (H. Rept. 722). p. 18593
13. EMPLOYMENT. The Education and Labor Committee reported without amendment H. R. 10065, to more effectively prohibit discrimination in employment because of race, color, religion, sex, or national origin (H. Rept. 718). p. 18593

89TH CONGRESS
1ST SESSION

H. R. 10232

IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 1965

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 306 (a) of the Consolidated Farmers Home Ad-
4 ministration Act is amended to read as follows:

5 “(1) The Secretary is also authorized to make or insure
6 loans to associations, including corporations not operated for

1 profit, and public and quasi-public agencies to provide for the
2 application or establishment of soil conservation practices,
3 shifts in land use, the conservation, development, use, and
4 control of water, and the installation or improvement of
5 drainage or waste disposal facilities, and recreational devel-
6 opments, all primarily serving farmers, ranchers, farm ten-
7 ants, farm laborers, and other rural residents, and to furnish
8 financial assistance or other aid in planning projects for such
9 purposes.

10 “(2) The Secretary is authorized to make grants aggre-
11 gating not to exceed \$50,000,000 in any fiscal year to such
12 associations to finance specific projects for works for the
13 development, storage, treatment, purification, or distribution
14 of water or the collection, treatment, or disposal of waste in
15 rural areas. The amount of any grant made under the au-
16 thority of this paragraph shall not exceed 50 per centum of
17 the development cost of the project to serve the area which
18 the association determines can be feasibly served by the
19 facility and to adequately serve the reasonably foreseeable
20 growth needs of the area.

21 “(3) No grant shall be made under paragraph 2 of this
22 subsection in connection with any facility unless the Secre-
23 tary determines that the project (i) will serve a rural area
24 which is not likely to decline in population below that for
25 which the facility was designed, (ii) is designed and con-

1 structed so that adequate capacity will be or can be made
2 available to serve the present population of the area to the
3 extent feasible and to serve the reasonably foreseeable growth
4 needs of the area, or (iii) is necessary for orderly com-
5 munity development consistent with a comprehensive com-
6 munity water or sewer development plan of the rural area
7 and not inconsistent with any planned development under
8 State, county, or municipal plans approved as official plans
9 by competent authority for the area in which the rural com-
10 munity is located. Until October 1, 1968, the Secretary
11 may make grants prior to the completion of the compre-
12 hensive plan, if the preparation of such plan has been under-
13 taken for the area.

14 “(4) a. The term ‘development cost’ means the cost of
15 construction of a facility and the land, easements, and rights-
16 of-way, and water rights necessary to the construction and
17 operation of the facility.

18 “(b) The term ‘project’ shall include facilities pro-
19 viding central service or facilities serving individual prop-
20 erties, or both.

21 “(5) No loan or grant shall be made under this subsec-
22 tion which would cause the unpaid principal indebtedness
23 of any association under this Act and under the Act of
24 August 28, 1937, as amended, together with the amount

1 of any assistance in the form of a grant to exceed \$4,000,000
2 at any one time.

3 “(6) The Secretary may make grants aggregating not
4 to exceed \$5,000,000 in any fiscal year to public bodies or
5 such other agencies as the Secretary may determine having
6 authority to prepare official comprehensive plans for the
7 development of water or sewer systems in rural areas which
8 do not have funds available for immediate undertaking of
9 the preparation of such plan.

10 “(7) Rural areas, for the purposes of water and waste
11 disposal projects shall not include any area in any city or
12 town which has a population in excess of 5,500 inhabitants.”

13 SEC. 2. (a) Section 308 of the Consolidated Farmers
14 Home Administration Act of 1961 is amended by—

15 (1) striking out “\$200,000,000” and inserting in
16 lieu thereof “\$450,000,000”;

17 (2) in clause (a) striking out “except that no
18 agreement shall provide for purchase by the Secretary
19 at a date sooner than three years from the date of the
20 note”; and

21 (3) striking out clause (b) and inserting in lieu
22 thereof “(b) may retain out of payments by the bor-
23 rower a charge at a rate specified in the insurance agree-
24 ment applicable to the loan”.

25 (b) Section 309 (e) of such Act is amended by striking

1 out “such portion of the charge collected in connection with
2 the insurance of loans at least equal to a rate of one-half of
3 1 per centum per annum on the outstanding principal obliga-
4 tions and the remainder of such charge” and inserting in
5 lieu thereof “all or a portion, not to exceed one-half of 1 per
6 centum of the unpaid principal balance of the loan, of any
7 charge collected in connection with the insurance of loans;
8 and any remainder of any such charge”.

9 (c) Section 309 (f) (1) of such Act is amended by
10 striking out “\$25,000,000” and inserting in lieu thereof
11 “\$50,000,000”.

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

By Mr. PAGE

AUGUST 3, 1965

Referred to the Committee on Agriculture

Private Bill: S. 618, a private bill, was called up, considered, and passed with an amendment and returned to the Senate.

Pages 18501-18503

President's Message—Sea Level Canal: Received and read a message from the President transmitting the first annual report of the Atlantic-Pacific Interoceanic Canal Commission. The message and report were referred to the Committee on Merchant Marine and Fisheries and ordered printed as a House document (H. Doc. 253).

Pages 18503-18504

Private Calendar: Passed the following bills on the call of the Private Calendar:

Cleared for the President: S. 1008.

Sent to the Senate without amendment: H.R. 1274, 2571, 3770, 8212, 8351, 8640, 8641, 8642, and 10132.

Sent to the Senate, amended: H.R. 1221, 1871, 4078, 5915, 6527, 8350, and 8352.

Passed over without prejudice: S. 45, 97, 134, 149, 263, 577, 916, 1008, 1068, 1138, 1196, 1267, H.R. 1395, 1473, 1644, 1821, 1892, 3103, 3684, 4596, 4603, 5121, 5903, 6726, 7282, and 8218.

Objected to and recommitted: H.R. 1380, 1415, 1445, 2924, 4032, 4070, 5206, 5815, and 7822.

Pages 18504-18509

Federal Retirement Increase: By a unanimous record vote of 394 yeas the House passed H.R. 8469, to provide certain increases in annuities payable from the civil service retirement and disability fund, after adopting several committee amendments. H. Res. 471, the rule under which the legislation was considered, had been adopted earlier by a voice vote.

Pages 18509-18530

Private Bill: S. 1198, a private bill, was called up, passed, and returned to the Senate after being amended to contain the language of H.R. 5915, a similar bill, passed earlier by the House on the call of the Private Calendar.

Page 18530

Overseas Teachers Pay: By a voice vote the House passed H.R. 6845, to correct inequities with respect to the basic compensation of teachers and teaching positions under the Defense Department Overseas Teachers Pay and Personnel Practices Act, after adopting two committee amendments. Also adopted an amendment to limit the tour of duty of overseas teachers to 5 consecutive years, and with certain exceptions 8 years.

Rejected an amendment that sought to base salary rates of overseas teachers on salary paid to teachers in the U.S. public school systems with enrollments of 12,000 or more students.

H. Res. 483, the open rule under which the legislation was considered, had been adopted earlier by a voice vote.

Pages 18510-18511, 18530-18539

Quorum Call and Record Votes: One quorum call and three record votes developed during the proceedings of the House and they appear on pages 18476, 18498, 18498-18499, and 18529.

Program for Wednesday: Adjourned at 7:23 p.m.

until Wednesday, August 4, 1965, at 12 o'clock noon, when the House will act on the conference report on H.R. 8439, to authorize certain construction at military installations. Also will consider S. 1742, to authorize the U.S. Governor to agree to amendments to the articles of agreements of the International Bank for Reconstruction and Development and the International Finance Corporation (1 hour of debate), and H.R. 7843, to amend titles 10 and 37, U.S. Code, to authorize the survivors of a member of the Armed Forces who dies while on active duty to be paid for his unused accrued leave (1 hour of debate).

Committee Meetings

RURAL AREA LOANS

Committee on Agriculture: Subcommittee on Conservation and Credit met in executive session and approved for full committee action a subcommittee print (a clean bill to be introduced), to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder.

ARMED FORCES

Committee on Armed Services: Subcommittee No. 2 held a hearing on H.R. 8243, to provide certain authorities relating to the administration of the Reserve components of the Army and Air Force. Testimony was heard from Representative Bennett, and Cyrus R. Vance, Deputy Secretary of Defense.

BANKING

Committee on Banking and Currency: Subcommittee on Domestic Finance continued hearings on the infiltration of banks and financial institutions by undesirable elements. Testimony was heard from Kenneth A. Randall, Chairman, Federal Deposit Insurance Corporation.

D.C. BUSINESS

Committee on the District of Columbia: Subcommittee No. 4 held a hearing on H.R. 8418, to tax exempt the Washington Gallery of Modern Art; H.R. 7173, to establish D.C. Department of Corporations; and H.R. 5597 and H.R. 6251, to exempt physicians from liability. Testimony was heard from D.C. officials and public witnesses.

SCHOOL CONSTRUCTION

Committee on Education and Labor: General Subcommittee on Education heard testimony from public wit-

nesses on H.R. 9948, the Elementary and Secondary School Construction Act of 1965.

FAIR LABOR STANDARDS ACT

Committee on Education and Labor: General Subcommittee on Labor met in executive session and approved a subcommittee print on H.R. 8259, to amend the Fair Labor Standards Act to extend its protection to additional employees, to improve its maximum hours standards.

SECRETARY OF STATE

Committee on Foreign Affairs: Met in executive session for a briefing by Secretary of State Dean Rusk.

AUTOMATIC DATA PROCESSING EQUIPMENT

Committee on Government Operations: Subcommittee on Government Activities met in executive session and ordered reported to the full committee H.R. 4845 (amended), to provide for the economic and efficient purchase, lease, maintenance, operation, and utilization of automatic data processing equipment by Federal departments and agencies.

SUBCOMMITTEE BUSINESS

Committee on Government Operations: Subcommittee on Intergovernmental Relations met in executive session on pending business. No announcements were made.

HEALTH SERVICE ACT

Committee on Interstate and Foreign Commerce: Met in executive session and ordered reported H.R. 3141 (amended), to amend the Public Health Service Act to improve the educational quality of schools of medicine, dentistry, and osteopathy, to authorize grants under that act to such schools for the awarding of scholarships to needy students, and to extend expiring provisions of that act for student loans and for aid in construction of teaching facilities for students in such schools and schools for other health professions.

JUDICIAL BUSINESS

Committee on the Judiciary: Met in executive session and ordered reported H.R. 2580 (amended), the Immigration and Nationality Act, and H.R. 872 (amended), making felonies committed within Indian country punishable by Federal courts in accordance with State law.

Several private claim bills and several private immigration bills were also ordered reported.

TOWING VESSELS—OFFICERS

Committee on Merchant Marine and Fisheries: Subcommittee on Coast Guard, Coast and Geodetic Survey, and Navigation held a hearing on H.R. 723 and H.R. 156 (identical bills), to require inspection of certain towing vessels; and H.R. 7491, to provide for the licensing and certificating of officers on certain vessels. Testimony was heard from public witnesses.

OCEANOGRAPHY

Committee on Merchant Marine and Fisheries: Subcommittee on Oceanography held a hearing on H.R. 921, and similar bills, dealing with variation of approach to the establishment of a comprehensive long-range and coordinated national program in oceanography; and H.R. 5175, providing for a study of the legal problems of management, use, and control of the natural resources of the oceans and ocean beds. Testimony was heard from Senator Bartlett, and Representatives Bob Wilson, Rogers of Florida, Fascell, and Huot.

FEDERAL PAY RAISE

Committee on Post Office and Civil Service: Met in executive session on H.R. 10147, the Government Employees Salary Comparability Act of 1965.

RIVERS—HARBORS—FLOOD CONTROL

Committee on Public Works: Subcommittee on Rivers and Harbors held a hearing on the following projects with testimony from Army Corps of Engineers on all projects:

Indiana Harbor, Ind.

Cedar River Harbor, Mich.

Contracts to authorize the Chief of Engineers under supervision of the Secretary of the Army to accept orders for work from other Federal agencies.

PIANC: To amend section 107 of the River and Harbor Act of 1948. Increase Federal cost from \$5,000 to \$10,000.

Great Lakes: Deicing, to increase navigation season on Great Lakes.

TAX EXTENSION ACT

Committee on Rules: Granted a closed rule, waiving points of order, with 3 hours of debate, on H.R. 4750, the Interest Equalization Tax Extension Act. Testimony was heard from Representatives Mills and Byrnes.

PUBLIC WORKS

Committee on Rules: Held a hearing on a request for a rule on S. 1648, the Public Works and Economic Development Act. Testimony was heard from Representatives Cramer and Flood. No final action was taken. Hearings continue August 4.

NATIONAL SCIENCE FOUNDATION

Committee on Science and Astronautics: Subcommittee on Science, Research, and Development held a hearing regarding the future of the National Science Foundation. Testimony was heard from public witnesses.

METRIC SYSTEM

Committee on Science and Astronautics: Held a hearing on H.R. 2626, to provide that the National Bureau of Standards shall conduct a program of investigation, research, and survey to determine the practicability of the adoption by the U.S. of the metric system of weights

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
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HIGHLIGHTS: House Rules Committee cleared farm bill. House debated public works-economic development bill. House committee voted to report Spruce Knob-Seneca Rocks recreation area bill and bill to expand various FHA loan authorities. Senate passed bill to establish Department of Housing and Urban Development. Sen. McGovern criticized cargo shipping restrictions on sales of wheat to Russia. Rep. Martin inserted article criticizing food for peace program. Rep. Matthews introduced and discussed bill to amend acreage-poundage quotas for tobacco.

HOUSE

1. **FARM PROGRAM.** The Rules Committee reported a resolution for consideration of the farm bill. p. 19189
2. **LABOR-HEW APPROPRIATION BILL.** Conferees were appointed on this bill H.R. 7765 (p. 19189). Senate conferees have already been appointed.
3. **PUBLIC WORKS; ECONOMIC DEVELOPMENT.** Began debate on S. 1648, the proposed Public Works and Economic Development Act of 1965. pp. 19190-239, 19242-3

4. RECREATION. The "Daily Digest" states that the Agriculture Committee voted to report (but did not actually report) H. R. 10330, to provide for the establishment of the Spruce Knob-Seneca Rocks National Recreation Area, W. Va.; S. 1764, to authorize the acquisition of certain lands within the boundaries of the Uinta National Forest, Utah, in lieu of H. R. 8344 and H. R. 9161; and H.R. 10366, a clean bill, to establish the Mount Rogers National Recreation Area in the Jefferson National Forest, Va., in lieu of H. R. 316. p. D777
5. FORESTRY; PROPERTY. The "Daily Digest" states that the Agriculture Committee voted to report (but did not actually report) with amendment S. 1689, to authorize the Secretary of Agriculture to hire or rent property from employees of the Forest Service for the use of that Service.
6. LOANS. The "Daily Digest" states that the Agriculture Committee voted to report (but did not actually report with amendment H. R. 10232, to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public or quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, and to increase the annual aggregate of insured loans thereunder. pp. D777
7. MARKETING ORDERS. The "Daily Digest" states that the Agriculture Committee voted to report (but did not actually report) H. R. 10206, to amend the Agricultural Marketing Agreement Act of 1937 (re marketing orders for certain fruits and vegetables) in lieu of H. R. 10209. p. D777
8. ANIMALS; RESEARCH. The "Daily Digest" states that the Agriculture Committee "ordered referred to the Subcommittee on Livestock and Feed Grains" H. R. 9743, to authorize the Secretary of Agriculture to regulate the transportation, sale and handling of dogs and cats intended to be used for purposes of research or experimentation." p. D777
9. WATERSHEDS. The "Daily Digest" states that Agriculture Committee approved plan for works of improvement on the following watersheds: Upper Crooked Creek, Ark.; Haney Creek, Ark.; Buffalo Creek, Ohio; Crooked Creek, Ala.; Muddy Fork of Silver Creek, Ind.; St. Thomas Lodema, N. Dak.; Assumpink Creek, N. J.; Mills Creek, Fla.; Turkey Creek, Iowa; Mitchell Swamp-Pleasant Meadow Branch, S. C.; Willis River, Va.; Cub Creek, Nebr.; Lakin, Kans.; Standing Pine Creek, Miss.; and Fishing Creek, S. C. p. D777
10. PERSONNEL; RETIREMENT. Rep. William D. Ford spoke in favor of H. R. 8469, "to provide equitable and desperately needed increases in the annuities of Federal civil service retirees and their survivors." p. 19249
11. COMMITTEE EMPLOYEES. Received from the various committees reports showing positions and salaries of employees during the first six months of 1965. pp. 19252-60
12. TARIFF. Received from Treasury a proposed bill to amend the Tariff Act of 1930 to authorize the collection of user charges, and to permit any charges for customs services to be collected on a flat fee basis; to Ways and Means Committee. p. 19260
13. WATER SUPPLY. Rep. Celler inserted the President's remarks before the Water Emergency Conference at the White House. pp. 19247-9

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HIGHLIGHTS: See page 6

HOUSE

1. **MARKETING ORDERS.** The Agriculture Committee reported without amendment H. R. 10206, to amend the Agricultural Marketing Agreement Act of 1937 (re marketing orders for certain fruits and vegetables)(H. Rept. 846). p. 20841
2. **LOANS.** The Agriculture Committee reported with amendment H. R. 10232, to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with

the construction of such community facilities, and to increase the annual aggregate of insured real estate loans (H. Rept. 847). p. 20841

3. FORESTRY; PROPERTY. The Agriculture Committee reported with amendment S. 1689, to authorize the Secretary of Agriculture to hire or rent property from employees of the Forest Service for the use of that Service (H. Rept. 848); and without amendment S. 1764, to authorize the acquisition of certain lands within the boundaries of the Uinta National Forest, Utah (H. Rept. 849). p. 20841
4. WEIGHTS AND MEASURES. The Science and Astronautics Committee reported without amendment H. R. 10329, to determine the practicability of adoption by the U. S. of the metric system of weights and measures (H. Rept. 850). p. 20841
5. APPROPRIATIONS. Rep. Hall objected to a request to send to conference H. R. 10323, the military construction appropriation bill for 1966. pp. 20746-7
Agreed to make in order this week the consideration of a resolution continuing appropriations for fiscal year 1966 through Sept. p. 20747
Passed without amendment H. R. 10586, making supplemental appropriations to the Labor and HEW Departments (pp. 20749-73). The bill includes these items: \$1,723,000 for the Labor Department to "make it possible to more quickly and accurately determine the need for temporary entry into the United States of foreign agricultural workers," \$7,000,000 for the new Administration on Aging in HEW, and \$967,000,000 for activities under the Elementary and Secondary Education Act of 1965.
6. EDUCATION. Agreed to a resolution to provide for consideration of H. R. 9022, to amend the law authorizing aid to education in Federally impacted areas. pp. 20747-9
7. FARM LABOR. Rep. Cederberg stated that "Michigan pickle growers are in a pickle" unless farm labor is provided at once. p. 20808
Rep. Cleveland criticized Labor Secretary Wirtz' "stubborn attitude" and stated that N. H. apple growers will suffer great damage unless they are allowed to recruit Canadian apple pickers. pp. 20810-1
8. BREAD; SUBSIDY. Rep. Berry stated that "now we have 'breadicare' a direct Federal subsidy to every consumer of bread." pp. 20811-2
9. SUGAR LOBBYISTS. Rep. Findley inserted a table summarizing information on the compensation of sugar lobbyists. pp. 20813-4
10. EMPLOYMENT. Rep. Albert commended the task force on Youth Opportunity for finding summer jobs for 820,000 young Americans. p. 20826
Rep. Albert inserted the President's address before the White House Conference on Equal Employment Opportunities. pp. 20827-8
11. FEES AND CHARGES. Received from this Department proposed legislation to provide for the payment by soil and water conservation districts and other State and local agencies and farmers, ranchers, and other landowners and operators of part of the Federal costs of furnishing certain technical assistance under the Soil Conservation Act of 1935; to Agriculture Committee. p. 20841
12. CCC; GRAIN STORAGE. Received from the Acting Comptroller General a letter transmitting a report of additional costs incurred for farm storage of grain; to Government Operations Committee. p. 20841
13. BUILDINGS. Received from GSA proposed legislation to provide for the repair and replacement of sidewalks around Government-owned building sites and installations; to Public Works Committee. p. 20841

RURAL WATER AND SANITATION FACILITIES

AUGUST 24, 1965.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H.R. 10232]

The Committee on Agriculture, to whom was referred the bill (H.R. 10232), to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

The amendments are as follows:

On page 3, line 10, strike out the period and insert:

and the Secretary shall establish regulations requiring the submission of all applications for financial assistance under this Act to the county or municipal government in which the proposed project is to be located for review and comment by such agency within a designated period of time.

On page 4, following line 12, insert the following new paragraph:

“(8) In each instance where the Secretary receives two or more applications for financial assistance for projects that would serve substantially the same group of residents within a single rural area, and one such application is submitted by a city, town, county, or other unit of general local government, he shall, in the absence of substantial reasons to the contrary, provide such assistance to such city, town, county, or other unit of general local government.”

PURPOSE

The purpose of this bill is to establish for rural communities a program of Federal assistance in the construction of water and sanitation systems comparable to the Federal programs which are available under several statutes for urban communities.

The details of the program are described under the section-by-section analysis portion of this report.

Section 2 of the bill would implement this program by expanding the Farmers Home Administration insured loan authority and providing means of making such loans more attractive to investors through better yields and repurchase agreements. Bills identical to this section passed the House in the 88th and 89th Congresses (H.R. 8075, 89th).

NEED FOR THE LEGISLATION

The establishment of adequate water and waste disposal systems is one of the crying needs of rural America. City dwellers take these facilities for granted. All their lives they have merely turned on a tap or flushed a toilet and a system provided by the community made water appear or wastes disappear. They forget (or probably don't even realize) that no such magic takes place in rural areas. If a rural resident wants these conveniences, he must provide them for himself—at great expense and often with the frustrating result of having systems which just don't quite work.

In addition to water and sanitation facilities for household use, farmers are finding it increasingly necessary, particularly in dairy areas and areas producing fresh fruits and vegetables for market, to have an ample supply of pure water and adequate sanitation facilities for the handling of their product. Not just any water will do these days—it must be pure and chemically acceptable.

Some 30,000 rural communities need new water and sanitation systems. Until this need is met, these communities cannot grow and make their contribution to the overall growth of the Nation, and residents in these communities will be denied the ordinary, everyday facilities of water and sanitation which city residents have for so long taken for granted.

The Congress has approved legislation providing Federal assistance to urban political bodies to provide adequate water and sanitation facilities for city people. Rural citizens have the same need and are entitled to the same kind and degree of assistance and the purpose of this bill is to provide substantially the same kind and degree of assistance to rural areas in developing adequate water and sanitation facilities as is now available to citizens of urban areas.

H.R. 10232 is comparable to but does not duplicate any of the authority of the various statutes and programs designed to provide modern water and sanitation systems for urban areas. On the contrary, it is carefully designed to pick up where those statutes and programs leave off and provide comparable assistance to rural communities.

ANALYSIS OF THE BILL

Section 1 expands the existing water facilities authority of the Farmers Home Administration to include grants and to encompass the program described above.

Paragraph 1 authorizes the Farmers Home Administration to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for, in addition to present authority, the installation or improvement of facilities for the use and control of water, including central water systems, and the installation or improvement of drainage or waste disposal facilities. Such facilities must be primarily designed to serve farmers, ranchers, farm tenants, farm laborers, and other rural residents. The Secretary is also authorized to furnish financial assistance or other aid in planning projects for such purposes.

Paragraph 2 authorizes the Secretary to make grants aggregating not to exceed \$50 million in any fiscal year to agencies and associations named in paragraph 1 to assist in financing specific projects for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. The amount of any such grant cannot exceed 50 percent of the development cost of the project.

Paragraph 3 stipulates the three conditions which must be met before the Secretary may make a grant for a water or sanitation project.

First, it must serve a rural area (which is defined later in the bill) which is not likely to decline in population below that for which the facility was designed. This condition is not intended to apply to a community which is subject to the normal migration of rural residents into urban areas, which is taking place throughout the country. It is intended to apply to rural communities, such as those developed around a large construction project, an oil development area, a mining venture, or other similar area where it may be assumed that when the construction job is finished or the resource development has taken place, the workers engaged in the project and forming the rural community will move to other areas.

Second, the project must be designed and constructed so that there will be adequate capacity available, or to be made available, to serve not only the present population of the area to the extent feasible but also to serve the reasonably foreseeable growth needs of the area. In this connection, it is to be pointed out that rural water and sanitation systems will serve not only households but also industrial and commercial users in the area. It is suggested by the committee that at least a 20-year growth factor be considered in the approval of any such project.

In its implementation of this law, the committee understands that the Farmers Home Administration will establish guidelines and standards of economic feasibility and adequacy which will assure the most economical use of Federal funds available to carry out the purposes of this legislation and that it will also establish technical and engineering standards to assure proper construction of the facilities being financed under this legislation.

In areas which are now suburban or adjacent to large population centers, it is to be assumed that in the natural course of community development, the now rural areas may at some future time become a part of the larger metropolitan area and as part of the 20-year planning suggested by the committee, it is suggested that the adequacy of the rural water system for integration into the nearby urban system be considered. In its establishment of standards of feasibility and adequacy the Farmers Home Administration should take advantage

of the advice and counsel of the various industry groups which have had experience related to the providing of community and individual water and sanitation systems.

Third, the proposed project must be necessary for orderly community development and consistent with any comprehensive community water or sewer development plan, and not inconsistent with any planned development for the area under State, county, or municipal plans.

The committee amendment requires that the Secretary shall establish regulations providing for the submission of all applications for financial assistance under this act to the county or municipal government having jurisdiction over the area in which the proposed project is to be located. The Secretary shall establish a designated period of time in which to receive and consider the comments of such local governmental agency.

Paragraph 4 defines "development costs" to mean not only the cost of construction of a facility but also the land, easements, rights-of-way, and water rights necessary to the construction and operation of the facility.

The term "project" includes not only facilities providing central water and sanitation service but also facilities serving individual properties, or both.

It is the intention and the understanding of the committee that the Farmers Home Administration will develop standards of feasibility which will be used by the local agency to determine whether it is more feasible to serve a user within the service area by means of the central system or by means of an individual system. Using these standards, the determination will be made by the local agency and such determinations will normally be made before the project application is submitted. Where the local agency determines that it will be more feasible to serve a user on an individual basis, rather than as part of the central system, it may contract with such individual user to install the facility at a cost reflecting the grant available to the local agency for construction and installation of the project.

Paragraph 5 provides that no loan or grant shall be made under this program which will cause the unpaid principal indebtedness of any association under this act and the act of August 28, 1937, to exceed \$4 million at any one time.

Paragraph 6 authorizes the Secretary to make grants aggregating not to exceed \$5 million in any fiscal year to public bodies or other agencies to prepare comprehensive plans for the development of water or sewer systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plans.

Paragraph 7 defines rural areas for the purposes of this act. Such areas shall not include any part of any city or town which has a population in excess of 5,500 inhabitants. This limitation was established after consultation with officials administering the several programs for water and sewer development in urban areas and is specifically established to take up exactly where their programs leave off, and not to leave any gap between urban and rural programs.

Paragraph 8 is a committee amendment. It provides that where there are two or more applications for financial assistance under this act for projects that serve substantially the same group of residents or the same rural area, and one such application is submitted by a city, town, county, or other unit of general local government, the Secretary

shall give preference to the application submitted by such unit of local government, unless there are substantial reasons to the contrary.

Section 2 will facilitate the program authorized in section 1 by permitting an increase from \$200 million to \$450 million in the amount of loans which may be insured by the Farmers Home Administration for the purposes of this act, and other similar purposes, and by otherwise making such insured loans more attractive to lenders. It will:

(1) Increase the limit on loans which may be insured under subtitle A of the Consolidated Farmers Home Administration Act (real estate and similar loans) in any one year from \$200 million to \$450 million;

(2) Repeal the provisions prohibiting agreements by the Secretary to purchase such insured loans in less than 3 years from the date of the note;

(3) Permit the Secretary to fix the insurance charge retained by him from borrowers' payments and the portion of such charge deposited in the insurance fund. The portion of the charge deposited in the fund could not exceed one-half of 1 percent of the outstanding principal balance; and

(4) Increase the amount of loans made from the insurance fund which the Secretary can hold at any one time for future sale from \$25 million to \$50 million.

HEARINGS

Hearings were held on numerous similar or identical bills by the Conservation and Credit Subcommittee. Bills under consideration included: H.R. 302 by Mr. Edmondson, H.R. 7260 by Mr. Kee, H.R. 7968 by Mr. Stafford, H.R. 7998 by Mr. Bandstra, H.R. 8116 by Mr. Anderson of Tennessee, H.R. 8234 by Mr. Andrews of North Dakota, H.R. 8959 by Mr. Schmidhauser, H.R. 9264 by Mr. Callan, H.R. 9737 by Mr. Skubitz, H.R. 9893 by Mr. Moeller, H.R. 9987 by Mr. Widnall, H.R. 10052 by Mr. Bandstra, H.R. 10064 by Mr. Hathaway, H.R. 10078 by Mr. Tupper, H.R. 10018 by Mr. Whalley, H.R. 10123 by Mr. Hansen of Iowa, H.R. 10167 by Mr. Stratton, and S. 1766, which passed the Senate while this matter was under consideration by the committee.

At the conclusion of subcommittee hearings the subcommittee chairman, Mr. Poage, was directed to introduce a clean bill (H.R. 10232) which was reported favorably to the full committee and which is reported herewith with two committee amendments. H.R. 10232 differs in some major respects from the bill which passed the Senate (S. 1766). For that reason, the committee proposes that action in the House shall be on H.R. 10232 and that, thereafter, the Senate bill will be amended by striking out all after the enacting clause and substituting the language of the House bill.

DEPARTMENTAL APPROVAL

Following is the letter from the Secretary of Agriculture recommending enactment of H.R. 7998, one of the numerous identical bills under consideration by the subcommittee. Spokesmen for the Department at the subcommittee hearings also expressed strong support for the

additional provisions included in the clean bill (H.R. 10232) reported herewith.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., June 23, 1965.

HON. HAROLD D. COOLEY,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request of June 7, 1965, for a report on H.R. 7998, a bill to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

The Department of Agriculture agrees with the objectives of these proposed additional authorizations. Recent experience in working with rural groups throughout the country has indicated a predominant need for certain specific types of community facilities and community planning.

In fiscal year 1962, the Farmers Home Administration was, for the first time, permitted to make and insure loans to associations serving primarily rural residents as well as farmers and ranchers. The increase in applications from rural communities for water system loans has emphasized the wisdom of the Congress in modernizing this program. In many parts of the country the only solution to the rural water problem is a large central system producing clear treated water and distributing it to as many people as possible. These systems can support efficient management and can supply water of the best quality at the most reasonable per capita cost.

Many rural communities applying for water system loans also seek assistance in the planning and construction of community waste disposal facilities. In fact, in many localities a satisfactory waste disposal system is a prerequisite to a safe water supply.

In administering the present loan program for rural water systems, the Farmers Home Administration has found that many rural communities cannot afford the entire cost of needed water supply and distribution facilities due to either low income of many of the prospective users or the high cost of providing distribution systems, including, where necessary, such installations as water treatment plants, in sparsely settled areas. For the same reasons, it is anticipated that many rural communities could not afford the entire cost of needed waste disposal systems.

Another great need in rural communities is effective firefighting facilities, including reservoirs and other sources of water, fire towers, other structures and equipment for firefighting.

The Farmers Home Administration was authorized in 1962 to make loans to rural communities and other associations of farmers and rural residents for shifts in land use, including the development of recreational facilities. Applications for loans to develop recreational facilities have been received in nearly every State of the Union. In some instances, facilities are needed to assist the economy of the rural communities but do not involve substantial shifts in land use. Such

facilities and structures for use as general community centers would meet an urgent need in many rural areas.

It is hoped that the most critical needs outlined above will be met, to a significant extent, under the authorities of the President's proposed Housing and Urban Development Act of 1965 and the Public Works and Economic Development Act now under consideration by the Congress. In addition, in order to assist in more effectively extending the benefits from various existing and newly proposed Federal programs to rural people, the President's 1966 budget request for this Department now pending before the Congress provides for strengthening the capacity of the Cooperative State Extension Service and the Rural Community Development Service.

The President, in his message on agriculture, also requested that this Department and the Bureau of the Budget work with other agencies in reviewing their programs to assure an equitable distribution of benefits between urban and rural areas and propose such administrative and legislative steps as may be appropriate. Pending completion of such review, we believe that action on section 1 of H.R. 7998 should be deferred.

Section 2(1) would increase from \$200 million to \$450 million the aggregate amount of loans that may be insured annually under this act.

This increase will permit the Department to assist an additional number of eligible applicants for loans authorized under subtitle A of the Consolidated Farmers Home Administration Act of 1961, Public Law 87-128, as amended. Farm ownership loans are made to assist family farmers to buy, enlarge, or develop farms and to refinance debts. Soil and water conservation loans are made to individual farmowners or tenants to assist them to improve, protect, and properly use their farmland. Soil and water conservation loans are also made to public and quasi-public bodies and nonprofit associations for the development and use of water and to carry out soil conservation practices and shifts in land use that serve farmers, ranchers, and rural residents.

Additional loan purposes for farm ownership and soil and water loans were authorized in 1962 by Public Law 87-703. Farm ownership loans were authorized for recreational enterprises on family farms and for fish farming. Important new authorizations were also provided to enable the Farmers Home Administration to make or insure loans to associations for shifts in land use, including the development of recreational facilities. Greater emphasis has been placed on making loans for forestry purposes since that time.

Applications for insured farm ownership and soil and water conservation loans to individuals were received during fiscal 1964 at the rate of 3,198 per month, and loans were made at the rate of 1,235 per month. Initial farm ownership loans averaged about \$16,965. The demand for insured loans for all purposes in fiscal 1964 resulted in a total commitment of the \$200 million authorization by early May in 1964. In fact, the insurance authorization only permitted the making of loans to approximately 50 percent of the applicants qualifying for loans.

There were 14,837 applications for farm ownership and individual soil and water loans on hand June 30, 1964, and this number increased to 16,324 by December 31, 1964. During that period loans were made at over 1,200 per month.

Under Public Law 87-128, a source of credit has been made available to small rural communities in the United States which do not have an adequate and safe water supply. In closely settled rural communities, it is difficult and costly to obtain and develop sources of water supply free from contamination or pollution. In addition to the 15,000 rural towns which do not now have domestic water systems, there are many thousands of fairly heavily settled rural areas in which the use of individual family shallow wells creates the hazard of contaminated domestic water supply which can be remedied either by obtaining water from deep wells or the development of a group domestic water system.

The Farmers Home Administration has found that the new water development legislation has created tremendous demands for loans throughout the entire Nation as reflected by 1,429 applications now on hand. In 1960, soil and water conservation loans to associations were made in only 10 States; in fiscal 1963, they were made in 34 States; and in fiscal 1964, such loans were made in 39 States. These loans have averaged about \$120,000 each. During the first half of this fiscal year, 167 loans have been made for \$19 million.

These loans are available only to individuals and organizations which cannot secure the necessary financing from other credit sources. Credit is usually not available for establishing a new water distribution system by a nonpublic agency. Even where a new system is undertaken by such public bodies as small rural towns and rural water districts, they are unable to provide the needed revenue required by commercial-type investors. Hence, if rural areas are to be served with satisfactory water supplies and distribution systems which are essential factors in maintaining our rural health and economy, it will be largely through the credit available under Federal programs.

Of significant importance in addition to the new authorizations to serve small towns and rural communities is the authorization to make or insure loans to associations for shifts in land use. Generally, such shifts in land use will result in a reduction in the production of crops that are in surplus supply. This will enable small towns and non-profit organizations to obtain loans through the Farmers Home Administration for the purpose of developing recreational facilities, such as community swimming pools, little league baseball fields, fishing lakes, and many other facilities for healthful outdoor recreation which can be enjoyed by families living in the community and surrounding urban areas.

The demand for shifts in land use appears to be increasing rapidly as rural communities which have long been in need of revitalization seek to provide important public improvements. A lack of credit for such improvements has plagued rural areas for many decades.

An increase in the authorized amount of insured loans will reduce the need for direct Government loan funds for farm ownership and soil and water loans. During fiscal 1964, the obligation of direct funds was discontinued for several months while the \$200 million of insured loan authority was available. Under current money market conditions, an increase in the insured loan authorizations would permit meeting the credit needs of more of the applicants for farm ownership and soil and water loans with insured funds and would thus effect a savings in sums authorized to be obligated for direct loans. However, to effectively operate the proposed increased program of insured loans, the present limit of \$25 million of loans made from the fund

and not disposed of at any one time should be increased to \$50 million. Section 2(c) of the bill would accomplish this by changing section 309(f)(1) of the act by increasing the figure from \$25 million to \$50 million.

The proposed increase from \$25 million to \$50 million in the limitation on the amount of loans that may be made out of the insurance fund, but not sold and insured at any one time, is necessary to prevent undue delays in closing loans for eligible applicants. Under the present \$200 million annual authority to insure loans approximately \$15 million of the \$25 million limitation is encumbered at all times. This encumbrance is the result of a time elapse between the date the insurance fund issues loan checks and the date the notes for such loans are received by the insurance fund. This time elapse is required for closing of loans in the field offices. After the notes are received by the insurance fund they are sold to investors as soon as possible, thereby keeping the loans in the fund at any one time below the present \$25 million limitation. The proposed increase in the annual loan insurance authority from \$200 million to \$450 million, if enacted, would cause the amount of loans that would normally be in the insurance fund to exceed the \$25 million limitation because of the time required between issuance of checks and receipt of notes for sale. Therefore, unless the limitation is increased, loan making activities will be delayed. It would also be desirable to be able to accumulate some notes in the insurance fund so that large orders from investors could be filled more expeditiously. The change to \$50 million would not permit additional loans to be made above the annual legislative ceilings and it would not add any additional cost to the Government.

Section 2 (2) and (3) would change the act as follows: (1) section 308 would be amended in clause (a) by striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; (2) by striking clause (b), section 308, and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan."; and (3) section 309(e) of such act would be amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge."

These changes are necessary to assure a continuing availability of private funds for the making of insured loans or the purchase of loans made out of the fund to be sold and insured because of fluctuations in the investment market. Under these changes the yield to the investor could be made comparable to the yield of other obligations on the market. By varying the amount retained by the Secretary out of payments by the borrower, the amount payable to the investor could be increased without sale of the loan at less than the balance due on the obligation at the time of the sale. The amount to be retained would be determined by the Secretary at the time of loan closing or original sale out of the fund and could be varied upon resale of the loan after repurchase by the Secretary pursuant to the repurchase agreement in the insurance endorsement. The period of

nonredemption by the Secretary would be left to the discretion of the Secretary as a further aid in the sale and insurance of loans.

The flexibility proposed in the foregoing changes is essential in order to enable the Secretary to adjust the rate of return to the lender and the period of nonredemption in accordance with the changing conditions of the money market and thus attract the investment of private funds in these insured loans.

The need for funds for salaries and other administrative expenses for the broadened insured loan program will be increased for fiscal year 1966. In order to provide for processing loan applications and servicing the increased number of insured loans which would be authorized under the proposed increase of \$250 million, additional personnel will be needed throughout the United States.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961

* * * * *

Sec. 306. (a) **[**The Secretary also is authorized to make or insure loans to associations, including corporations not operated for profit and public and quasi-public agencies, to provide for the application or establishment of soil conservation practices, shifts in land use including the development of recreational facilities, the conservation, development, use, and control of water and the installation or improvement of drainage facilities, all primarily for serving farmers, ranchers, farm tenants, farm laborers, and rural residents, and to furnish financial assistance or other aid in planning projects for such purposes. No such loans shall be made or insured which would cause an association's unpaid principal indebtedness under this section and the Act of August 28, 1937, as amended, to exceed \$500,000 in the case of direct loans and \$1,000,000 in the case of insured loans at any one time.**]** (1) *The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.*

(2) *The Secretary is authorized to make grants aggregating not to exceed \$50,000,000 in any fiscal year to such associations to finance specific projects for works for the development, storage, treatment, purifica-*

tion, or distribution of water or the collection, treatment, or disposal of waste in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed 50 per centum of the development cost of the project to serve the area which the association determines can be feasibly served by the facility and to adequately serve the reasonably foreseeable growth needs of the area.

(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonably foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water or sewer development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located and the Secretary shall establish regulations requiring the submission of all applications for financial assistance under this Act to the county or municipal government in which the proposed project is to be located for review and comment by such agency within a designated period of time. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

(4) a. The term "development cost" means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

(b) The term "project" shall include facilities providing central service or facilities serving individual properties, or both.

(5) No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water or sewer systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

(7) Rural areas, for the purposes of water and waste disposal projects shall not include any area in any city or town which has a population in excess of 5,500 inhabitants.

(8) In each instance where the Secretary receives two or more applications for financial assistance for projects that would serve substantially the same group of residents within a single rural area, and one such application is submitted by a city, town, county or other unit of general local government, he shall, in the absence of substantial reasons to the contrary, provide such assistance to such city, town, county or other unit of general local government.

(b) The service provided or made available through any such association shall not be curtailed or limited by inclusion of the area served by such association within the boundaries of any municipal corporation or other public body, or by the granting of any private franchise for similar service within such area during the term of

such loan; nor shall the happening of any such event be the basis of requiring such association to secure any franchise, license, or permit as a condition to continuing to serve the area served by the association at the time of the occurrence of such event.

* * * * *

SEC. 308. Loans under this subtitle may be insured by the Secretary, aggregating not more than ~~["\$200,000,000"]~~ \$450,000,000 in any one year, whenever funds are advanced or a loan is purchased by a lender other than the United States. In connection with insurance of loans, the Secretary—

(a) is authorized to make agreements with respect to the servicing of loans insured hereunder and to purchase such loans on such terms and conditions as he may prescribe, ~~[except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note;]~~ and

~~[(b) shall retain out of payments by the borrower a charge at a rate determined by the Secretary from time to time equivalent to not less than one-half of 1 per centum per annum on the principal unpaid balance of the loan.]~~

(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan.

SEC. 309. (a) The fund established pursuant to section 11(a) of the Bankhead-Jones Farm Tenant Act, as amended, shall hereafter be called the Agricultural Credit Insurance Fund and is hereinafter in this subtitle referred to as the "fund". The fund shall remain available as a revolving fund for the discharge of the obligations of the Secretary under agreements insuring loans under this subtitle and loans and mortgages insured under prior authority.

(b) Moneys in the fund not needed for current operations shall be deposited in the Treasury of the United States to the credit of the fund or invested in direct obligations of the United States or obligations guaranteed by the United States. The Secretary may purchase with money in the fund and notes issued by the Secretary to the Secretary of the Treasury for the purpose of obtaining money for the fund.

(c) The Secretary is authorized to make and issue notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations under this section and for authorized expenditures out of the fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the notes issued by the Secretary under this subtitle. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and, for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purpose for which such securities may be issued under such Act, as amended, are extended to include the purchase of notes issued by the Secretary. All redemptions, pur-

chases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States.

(d) Notes and security acquired by the Secretary in connection with loans insured under this subtitle and under prior authority shall become a part of the fund. Notes may be held in the fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof at the balance due thereon, or on such other basis as the Secretary may determine from time to time. All net proceeds from such collections, including sales of notes or property, shall be deposited in and become a part of the fund.

(e) The Secretary shall deposit in the fund [such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge] *all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge* shall be available for administrative expenses of the Farmers Home Administration, to be transferred annually and become merged with any appropriation for administrative expenses.

(f) The Secretary may utilize the fund—

(1) To make loans which could be insured under this subtitle whenever the Secretary has reasonable assurance that they can be sold without undue delay, and may sell and insure such loans. The aggregate of the principal of such loans made and not disposed of shall not exceed [\$25,000,000] \$50,000,000 at any one time;

* * * * *



88TH CONGRESS
1ST SESSION

H. R. 10232

[Report No. 847]

IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 1965

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

AUGUST 24, 1965

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, the for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 306 (a) of the Consolidated Farmers Home Ad-
4 ministration Act is amended to read as follows:

5 “(1) The Secretary is also authorized to make or insure

1 loans to associations, including corporations not operated for
2 profit, and public and quasi-public agencies to provide for the
3 application or establishment of soil conservation practices,
4 shifts in land use, the conservation, development, use, and
5 control of water, and the installation or improvement of
6 drainage or waste disposal facilities, and recreational devel-
7 opments, all primarily serving farmers, ranchers, farm ten-
8 ants, farm laborers, and other rural residents, and to furnish
9 financial assistance or other aid in planning projects for such
10 purposes.

11 “(2) The Secretary is authorized to make grants aggre-
12 gating not to exceed \$50,000,000 in any fiscal year to such
13 associations to finance specific projects for works for the
14 development, storage, treatment, purification, or distribution
15 of water or the collection, treatment, or disposal of waste in
16 rural areas. The amount of any grant made under the au-
17 thority of this paragraph shall not exceed 50 per centum of
18 the development cost of the project to serve the area which
19 the association determines can be feasibly served by the
20 facility and to adequately serve the reasonably foreseeable
21 growth needs of the area.

22 “(3) No grant shall be made under paragraph 2 of this
23 subsection in connection with any facility unless the Secre-
24 tary determines that the project (i) will serve a rural area

1 which is not likely to decline in population below that for
2 which the facility was designed, (ii) is designed and con-
3 structed so that adequate capacity will be or can be made
4 available to serve the present population of the area to the
5 extent feasible and to serve the reasonably foreseeable growth
6 needs of the area, or (iii) is necessary for orderly com-
7 munity development consistent with a comprehensive com-
8 munity water or sewer development plan of the rural area
9 and not inconsistent with any planned development under
10 State, county, or municipal plans approved as official plans
11 by competent authority for the area in which the rural com-
12 munity is ~~located~~. *located and the Secretary shall establish*
13 *regulations requiring the submission of all applications for*
14 *financial assistance under this Act to the county or municipi-*
15 *pal government in which the proposed project is to be located*
16 *for review and comment by such agency within a designated*
17 *period of time.* Until October 1, 1968, the Secretary may
18 make grants prior to the completion of the comprehensive
19 plan, if the preparation of such plan has been undertaken
20 for the area.

21 “(4) a. The term ‘development cost’ means the cost of
22 construction of a facility and the land, easements, and rights-
23 of-way, and water rights necessary to the construction and
24 operation of the facility.

1 “(b) The term ‘project’ shall include facilities pro-
2 viding central service or facilities serving individual prop-
3 erties, or both.

4 “(5) No loan or grant shall be made under this subsec-
5 tion which would cause the unpaid principal indebtedness
6 of any association under this Act and under the Act of
7 August 28, 1937, as amended, together with the amount
8 of any assistance in the form of a grant to exceed \$4,000,000
9 at any one time.

10 “(6) The Secretary may make grants aggregating not
11 to exceed \$5,000,000 in any fiscal year to public bodies or
12 such other agencies as the Secretary may determine having
13 authority to prepare official comprehensive plans for the
14 development of water or sewer systems in rural areas which
15 do not have funds available for immediate undertaking of
16 the preparation of such plan.

17 “(7) Rural areas, for the purposes of water and waste
18 disposal projects shall not include any area in any city or
19 town which has a population in excess of 5,500 inhabitants.”

20 (8) *In each instance where the Secretary receives two*
21 *or more applications for financial assistance for projects*
22 *that would serve substantially the same group of residents*
23 *within a single rural area, and one such application is sub-*
24 *mitted by a city, town, county or other unit of general local*

1 *government, he shall, in the absence of substantial reasons to*
2 *the contrary, provide such assistance to such city, town,*
3 *county or other unit of general local government.*

4 SEC. 2. (a) Section 308 of the Consolidated Farmers
5 Home Administration Act of 1961 is amended by—

6 (1) striking out “\$200,000,000” and inserting in
7 lieu thereof “\$450,000,000”;

8 (2) in clause (a) striking out “except that no
9 agreement shall provide for purchase by the Secretary
10 at a date sooner than three years from the date of the
11 note”; and

12 (3) striking out clause (b) and inserting in lieu
13 thereof “(b) may retain out of payments by the bor-
14 rower a charge at a rate specified in the insurance agree-
15 ment applicable to the loan”.

16 (b) Section 309 (e) of such loan is amended by striking
17 out “such portion of the charge collected in connection with
18 the insurance of loans at least equal to a rate of one-half of
19 1 per centum per annum on the outstanding principal obliga-
20 tions and the remainder of such charge” and inserting in
21 lieu thereof “all or a portion, not to exceed one-half of 1 per
22 centum of the unpaid principal balance of the loan, of any
23 charge collected in connection with the insurance of loans;
24 and any remainder of any such charge”.

1 (c) Section 309 (f) (1) of such Act is amended by
2 striking out “\$25,000,000” and inserting in lieu thereof
3 “\$50,000,000”.

88TH CONGRESS
1ST SESSION

H. R. 10232

[Report No. 847]

A BILL

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purpose.

By Mr. Poage

AUGUST 3, 1965

Referred to the Committee on Agriculture

AUGUST 24, 1965

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued Sept. 2, 1965
For actions of Sept. 1, 1965
89th-1st; No. 161

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HIGHLIGHTS: House Rules Committee cleared bill to extend International Wheat Agreement Act and deferred action on bill to expand various FHA loan authorities. Rep. Battin criticized increase in retail prices of beef. Rep. Betts introduced and discussed bill to require GAO approval of accounting systems.

HOUSE

1. WHEAT. The Rules Committee reported a resolution for consideration of S. 2294, to extend the operation of the International Wheat Agreement Act until July 31, 1966. p. 21656

2. LOANS. The Rules Committee deferred action on granting a rule on H. R. 10232, the FHA loan expansion bill (p. F874). As reported by the Agriculture Committee this bill includes provisions as follows:

Authorizes the Secretary of Agriculture to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for, in addition to present authority, the installation or improvement of facilities for the use and control of water, including

central water systems, and the installation or improvement of drainage or waste disposal facilities, primarily designed to serve farmers, ranchers, farm tenants, farm laborers, and other rural residents. Authorizes the Secretary to make grants aggregating not to exceed \$50 million in any fiscal year to these agencies and associations to assist in financing specific projects for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas (grants may not exceed 50 percent of the development cost of the project). Provides that no loan or grant shall be made which will cause the unpaid principal indebtedness of any association to exceed \$4 million at any one time.

Authorizes the Secretary to make grants aggregating not to exceed \$5 million in any fiscal year to public bodies or other such agencies to prepare comprehensive plans for the development of water or sewer systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plans.

Increases from \$200 million to \$450 million the limit on FHA insured loans in any one year; repeals present provisions prohibiting agreements by the Secretary to purchase such insured loans in less than 3 years from the date of the note; permits the Secretary to fix the insurance charge retained by him from borrowers' payments and the portion of such charge deposited in the insurance fund; and increases the amount of loans made from the insurance fund which the Secretary can hold at any one time for future sale from \$25 million to \$50 million.

3. RESEARCH. Passed with amendment S. 949, to authorize the Department of Commerce to institute a 3-year program of matching grants to States in a cooperative effort to disseminate the findings of science and technology throughout American business, commerce, and industrial establishments as a means of promoting industrial and economic growth, after substituting the language of a similar bill, H. R. 3420, which was passed earlier as reported. H. R. 3420 was tabled. pp. 21657-72
4. FOREIGN SERVICE. The Rules Committee reported a resolution for consideration of H. R. 6277, to amend the Foreign Service Act so as to establish a single personnel system within the Department of State, U. S. Information Agency, and Agency for International Development. pp. 21656-7
5. PROCUREMENT; CONTRACTS. The Education and Labor Committee reported with amendment H. R. 10238, to provide labor standards for certain persons employed by Federal contractors to furnish services to Federal agencies (H. Rept. 948). p. 21724
6. STOCKPILING. A subcommittee of the Armed Services Committee voted to report to the full committee H. R. 6852, with amendment, to authorize disposal of approximately 47 million pounds of abaca from the national stockpile; H. R. 10516, to authorize disposal of vegetable tannin extracts from the national stockpile; H. R. 10714, to authorize disposal of colemanite from the supplemental stockpile; and H. R. 10715, to authorize disposal of chemical grade chronite from the supplemental stockpile. p. D872
7. PUBLIC WORKS. The Public Works Committee voted to report (but did not actually report) with amendment S. 2300, to authorize the constructions, repair, and preservation of certain public works on rivers and harbors for navigation and flood control. p. D873

OBSCENE MATTERS

Committee on Education and Labor: Select Subcommittee on Education held a hearing on H.R. 7465, regarding noxious and obscene matters. Testimony was heard from public witnesses.

OLDER WORKERS BUREAU

Committee on Education and Labor: Select Subcommittee on Labor continued hearings on H.R. 10634, and related bills, to establish a Bureau of Older Workers in the Department of Labor. Testimony was heard from public witnesses.

INTER-AMERICAN AFFAIRS

Committee on Foreign Affairs: Subcommittee on Inter-American Affairs met in executive session and approved for full committee action a clean bill in lieu of H. Res. 542, to express the sense of the House of Representatives declaring a policy of the United States relative to the intervention of the International Communistic Movement in the Western Hemisphere.

Prior to the executive session, in an open hearing, the subcommittee continued hearings on bills relating to the Communist threat in Latin America. Testimony was heard from Representatives Flood and Ichord.

U.S.-OWNED FOREIGN CURRENCIES

Committee on Foreign Affairs: Subcommittee on Foreign Economic Policy continued hearings to determine the utilization of excess U.S.-owned foreign currencies in certain countries. Testimony was heard from Representative Reuss, and William J. Crockett, Deputy Under Secretary of State for Administration.

CONGO

Committee on Foreign Affairs: Subcommittee on Africa met in executive session for a briefing with G. McMurtre Godley, U.S. Ambassador to Congo.

FEDERAL EMPLOYEE MOVING EXPENSES

Committee on Government Operations: Subcommittee on Executive and Legislative Reorganization held a hearing on H.R. 10607, providing for reimbursement of certain moving and storage expenses of Federal employees. Testimony was heard from Representative Kunkel; John W. Macy, Director, Civil Service Commission; F. Henry Barclay, Assistant General Counsel, General Accounting Office; Elmer B. Staats, Bureau of the Budget; and public witnesses.

COMMITTEE AFFAIRS

Committee on Interior and Insular Affairs: Met to present a resolution to a staff employee.

COLORADO RIVER BASIN

Committee on Interior and Insular Affairs: Subcommittee on Irrigation and Reclamation concluded hearings

on H.R. 4671, and related bills, to authorize the construction, operation, and maintenance of the Lower Colorado River Basin project. Testimony was heard from public witnesses.

COMMITTEE BUSINESS

Committee on Interstate and Foreign Commerce: Met in executive session on pending business. No announcements were made.

CLAIMS BILLS

Committee on the Judiciary: Subcommittee No. 2 met in executive session and acted on several private claims bills.

COPYRIGHT REVISION

Committee on the Judiciary: Subcommittee No. 3 continued hearings on H.R. 4347, and related bills, regarding copyright revision. Testimony was heard from public witnesses.

JUDGESHIPS

Committee on the Judiciary: Subcommittee No. 5 held a hearing on omnibus judgeship bills. Testimony was heard from Representative McCulloch; Chief Judge John Biggs, Jr., U.S. Court of Appeals, Third Judicial Circuit; and Chief Judge Harvey M. Johnson, U.S. Court of Appeals, Eighth Judicial Circuit.

OCEANOGRAPHY BUSINESS

Committee on Merchant Marine and Fisheries: Subcommittee on Oceanography met in executive session on pending legislation. No announcements were made.

POST OFFICE RATES

Committee on Post Office and Civil Service: Subcommittee on Postal Rates held a hearing on H.R. 9058, and related bills, to authorize the free use of the mails in making reports required by law of certain payments to others. Testimony was heard from Representative Pool; and departmental and public witnesses.

PUBLIC WORKS

Committee on Public Works: Met in executive session and ordered reported favorably to the House S. 2300 (amended), to authorize the construction, repair, and preservation of certain public works on rivers and harbors for navigation and flood control.

RIVERS AND HARBORS—FLOOD CONTROL BILL

Committee on Public Works: Subcommittee on Rivers and Harbors met in executive session on the omnibus rivers and harbors and flood control bill. No announcements were made.

U.N. PARTICIPATION ACT

Committee on Rules: Granted an open rule with 1 hour of debate on S. 1903, regarding U.N. Participation Act amendments. Testimony was heard from Representatives Fascell and Kelly.

FOREIGN SERVICE ACT

Committee on Rules: Granted an open rule with 2 hours of debate on H.R. 6277, regarding Foreign Service Act amendments. Testimony was heard from Representatives Hays, Adair, Thomson of Wisconsin, and Kelly.

WHEAT AGREEMENT ACT

Committee on Rules: Granted an open rule with 1 hour of debate on S. 2294, regarding the extension of Wheat Agreement Act. Testimony was heard from Representatives Ashley and Mize.

SANITATION FACILITIES

Committee on Rules: Action was deferred on H.R. 10232, regarding rural water and sanitation facilities. Testimony was heard from Representative Poage.

COLD WAR GI BILL

Committee on Veterans' Affairs: Continued hearings on S. 9, and related bills, the Cold War GI bill. Testimony was heard from departmental witnesses.

JUDICIAL RETIREMENT

Committee on Ways and Means: Met in executive session and ordered reported favorably to the House H.R. 8445, to amend the Internal Revenue Code of 1939 and the Internal Revenue Code of 1954 to change the method of computing the retired pay of judges of the Tax Court of the United States.

BILLS SIGNED BY THE PRESIDENT

New Laws

(For last listing of public laws, see DIGEST, p. D867, August 31, 1965)

H.J. Res. 95, to designate the lake to be formed by the waters impounded by Sanford Dam, Canadian River project, Texas, as "Lake Meredith." Signed August 31, 1965 (P.L. 89-153).

H.R. 881, to authorize establishment of the Alibates Flint Quarries and Texas Panhandle Pueblo Culture National Monument. Signed August 31, 1965 (P.L. 89-154).

H.R. 7181, authorizing commemoration of certain historical events in Kansas with appropriate markers. Signed August 31, 1965 (P.L. 89-155).

H.R. 7765, fiscal 1966 appropriations for the Departments of Labor and Health, Education, and Welfare,

and related agencies. Signed August 31, 1965 (P.L. 89-156).

H.R. 7596, providing temporary authority for increasing the number of officers who may serve on active duty in the grades of colonel or lieutenant colonel in the Air Force. Signed August 31, 1965 (P.L. 89-157).

H.R. 89, authorizing establishment of the Tocks Island National Recreation Area in Pennsylvania and New Jersey. Signed September 1, 1965 (P.L. 89-158).

COMMITTEE MEETINGS FOR THURSDAY,
SEPTEMBER 2

(All meetings are open unless otherwise designated)

Senate

Committee on Agriculture and Forestry, executive, on S. 1702 and H.R. 9811, proposed Food and Agriculture Act of 1965, 10 a.m., 324 Old Senate Office Building.

Committee on Appropriations, executive, to mark up H.R. 10586, Labor-HEW supplemental appropriations for fiscal 1966, 10 a.m., 1223 New Senate Office Building.

Committee on Armed Services, open and executive, on committee business, 10:30 a.m., 212 Old Senate Office Building.

Committee on Banking and Currency, open and executive, on the nomination of Hobart Taylor, Jr., of Michigan, to be a member of the Board of Directors of the Export-Import Bank of Washington, 10 a.m., 5302 New Senate Office Building.

Committee on Finance, executive, on H.R. 7502, tax treatment of losses suffered from major disasters, and amendments thereto, and on other pending matters, 10 a.m., 2221 New Senate Office Building.

Committee on Government Operations, Subcommittee on Intergovernmental Relations, executive, on S. 1681, proposed Uniform Relocation Act, 10 a.m., 3302 New Senate Office Building.

Committee on Public Works, open and executive, on the nomination of Eugene P. Foley, to be an Assistant Secretary of Commerce (new position), 11 a.m., 4200 New Senate Office Building.

House

Committee on Agriculture, Subcommittee on Livestock and Feed Grain, on H.R. 9743, and related bills, to authorize the Secretary of Agriculture to regulate the transportation, sale, and handling of dogs and cats intended to be used for purposes of research or experimentation, 10 a.m., 1301 Longworth House Office Building.

Committee on Appropriations, executive, on Foreign Assistance Act, 10 a.m., H-140 U.S. Capitol Building.

Subcommittee on the Interior, executive, on pending business, 1 p.m., H-307 U.S. Capitol Building.

Committee on Armed Services, Subcommittee No. 4, to consider H.R. 266, regarding travel allowance, 10 a.m., 2212 Rayburn House Office Building.

Committee on Banking and Currency, Subcommittee on Domestic Finance, to continue on S. 1698, and related bills, to exempt bank mergers approved under the Bank Merger Act from operation of the antitrust laws, 10 a.m., 2128 Rayburn House Office Building.

Committee on Education and Labor, Select Subcommittee on Labor, on H.R. 10634, regarding the employment problem of the older American worker, 10 a.m., 2261 Rayburn House Office Building.

Sept. 9, 1965

Tamarac River, Minn.; Quapaw Creek, Okla.; Rock Creek, Okla.; Duck Creek, Tex.; and Cherrystone, Va. pp. D904-5

by the Rules Com.

16. WEIGHTS AND MEASURES. The "Daily Digest" states that "action was deferred" on H. R. 10329, regarding a program of investigation, research, and survey of the metric system. p. D905
17. LOANS. The "Daily Digest" states that the Rules Committee "granted an open rule with 2 hours of debate on H. R. 10232," the FHA loan expansion bill. p. D905
18. WATER SUPPLY. Rep. McCarthy stated that the Nation's water problems "grow more acute with each passing day," and discussed water problems relating to the Great Lakes area. pp. 22420-21
19. FOREIGN TRADE. Rep. Rogers, Fla., urged the "halting of the sale of U. S. wheat, subsidized by the American taxpayers, to Russia and other Communist countries." p. 22399
20. POVERTY. Rep. Pepper commended and inserted the address of the Vice President on the occasion of the first anniversary of the War on Poverty. pp. 22423-5
21. LEGISLATIVE PROGRAM. Rep. Albert announced that on Mon., Sept. 13, the House will take up resolutions for the consideration of various bills including the Federal pay bill, the mid-decade censuses bill, the proposed Equal Employment Act, and the financial assistance to natural disaster victims bill, and on Tues. and the balance of the week S. 2294, extension of the Wheat Agreement Act, and S. 2300, the omnibus rivers and harbors flood control bill, will be brought up. p. 22398
22. ADJOURNED until Mon., Sept. 13. p. 22436

ITEMS IN APPENDIX

23. OPINION POLL. Rep. Bandstra inserted an article giving results of an opinion poll showing support for the antipoverty program. p. A5100
Extension of remarks of Rep. Bandstra inserting an article, "Wallace Farmer Poll: Little Racial Bias Among Iowa Farmers." pp. A5105-6
24. FEDERAL AID. Rep. Dorn inserted a portion of an address by Dr. Walter Heller, "The Economic Outlook for State-Local Finance." p. A5108
25. POVERTY. Rep. Miller, Calif., inserted several articles highlighting plans and accomplishments of the poverty program in the Oakland, Calif. area. pp. A5109-10
Rep. Wilson, Calif., inserted an article which suggests that one criticism of the poverty program "is the fact that the non-poor are getting in on the handout end." p. A5111

BILLS INTRODUCED

26. PERSONNEL. H. R. 10927 by Rep. Fogarty, to reduce the time in standby status of firefighting personnel of the Federal Government; to Post Office and Civil Service Committee.
27. FISHERIES. H. R. 10979 by Rep. Givvons, to provide for expanded research and

development in the marine environment of the United States, to establish a National Council on Marine Resources and Engineering Development, and a Commission on Marine Science, Engineering and Resources and for other purposes; to Merchant Marine and Fisheries Committee.

28. FARM LABOR. H. R. 10982 by Rep. Rogers, to amend section 214 of the Immigration and Nationality Act to permit the Attorney General to admit nonimmigrant aliens to the United States for agricultural employment in cooperation with State agricultural officers; to Judiciary Committee.
29. MONOPOLIES. S. 2512 by Sen. Hart, to amend section 5(a) of the Clayton Act with respect to the evidentiary effect of judgments and decrees entered in proceedings instituted by the United States under the antitrust laws; to Judiciary Committee. Remarks of author, pp. 22516-7

BILLS APPROVED BY THE PRESIDENT

30. HOUSING. H. R. 6927, to provide for the establishment of a Department of Housing and Urban Development. Includes a provision directing the President to undertake studies of the organization of housing and urban development programs within the Federal Government and to provide Congress with the results of such studies together with recommendations regarding the possible transfer of functions and programs to or from the Department. Approved Sept. 9, 1965 (Public Law 89-174).
31. CLAIMS. S. 69, to authorize payment of \$3,375 to Mrs. Genevieve Olsen, of Ogden, Utah, the widow of Chester J. Olsen, a Forest Service employee, for compensation for personal injuries sustained in performance of duties, and which resulted in permanent partial disability of Mr. Olsen. Approved Sept. 1, 1965 (Private Law 89-53).

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COMMITTEE HEARINGS SEPT. 10:

Wild rivers bill, S. Interior (exec).

Foreign aid appropriations, S. Appropriations (exec).

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CONSTRUCTION PROJECTS

Van Nuys, Calif.—post office, Federal office building.
New Haven, Conn.—post office, courthouse, Federal office building.
Dover, Del.—Federal office building.
Houma, La.—post office, Federal office building.
Saginaw, Mich.—Federal office building.
Akron, Ohio—post office, courthouse, Federal office building.
Dayton, Ohio—post office, courthouse, Federal office building.
San Juan, P.R.—courthouse, Federal office building, warehouse, and motor vehicle facility.
New York, N.Y.—Court of Appeals and Federal office building.
Quantico, Va.—Department of Justice, FBI Academy.

ALTERATION PROJECTS

Cincinnati, Ohio—post office annex.
Oklahoma City, Okla.—post office, courthouse.
Seattle, Wash.—Federal office building.
Washington, D.C.—executive office building.

WATERSHED PROJECTS

Cooper Creek watershed, Arkansas.
Limestone Stream watershed, Maine.
Long Creek watershed, Mississippi.
Tuscumbia River watershed, Mississippi and Tennessee.
Grindstone-Lost-Muddy Creek watershed, Missouri.
Stewarts Creek-Loville Creek watershed, North Carolina and Virginia.
Upper Elk Creek watershed, Oklahoma.
Ferrod watershed, Utah.
Choccolocco Creek watershed, Alabama.
Little Clear Creek watershed, Arkansas.
Upper Choptank River watershed, Delaware and Maryland.
Grove River watershed, Georgia.
South Fork Broad River watershed, Georgia.
Supplement to Busseron watershed, Indiana.
Little Racoon Creek watershed, Indiana.
Timber Creek watershed, Kansas.
Supplement to SuAsCo watershed, Massachusetts.
Tamarac River watershed, Minnesota.
Quapaw Creek watershed, Oklahoma.
Rock Creek watershed, Oklahoma.
Duck Creek watershed, Texas.
Cherrystone watershed, Virginia.

LEASED OFFICE PROJECTS

New York, N.Y.—Bureau of Customs, Treasury Department (World Trade Center).
Columbia, Mo.—leased office building.

METRIC SYSTEM

Committee on Rules: Action was deferred on H.R. 10329, regarding a program of investigation, research, and survey of the metric system. Testimony was heard from Representatives Miller and Fulton of Pennsylvania.

ATOMIC ENERGY ACT

Committee on Rules: Granted an open rule with 1 hour of debate, making it in order to substitute S. 2042 for H.R. 8496, to extend and amend the Price-Anderson indemnity provisions of the Atomic Energy Act. Testimony was heard from Representatives Holifield and McCulloch.

WATER SUPPLY AND WASTE DISPOSAL

Committee on Rules: Granted an open rule with 2 hours of debate on H.R. 10232, regarding the development of central water supply and waste disposal systems in rural communities.

JEFFERSON NATIONAL EXPANSION MEMORIAL

Committee on Rules: Granted an open rule with 1 hour of debate on H.R. 6519, regarding additional authorization for the Jefferson National Expansion Memorial.

JAMES MADISON MEMORIAL

Committee on Rules: Granted an open rule with 1 hour of debate on H.R. 642, regarding the James Madison Memorial authorization.

TRAVEL

Committee on Rules: Ordered reported favorably to the House, amended, the following bills:

H. Res. 318, regarding travel—Judiciary;
H. Res. 500, regarding travel—Education and Labor;
H. Res. 510, regarding travel—Post Office and Civil Service, with testimony from Representative Olsen; and
H. Res. 513, regarding travel—Public Works.

ARMED FORCES INSURANCE

Committee on Veterans' Affairs: Subcommittee on Insurance continued hearings on S. 2127, and related bills, providing for a special indemnity insurance for members of the Armed Forces serving in combat zones without cost. Testimony was heard from William J. Driver, Administrator, Veterans' Affairs; Gen. William Berg, Legislative Liaison Officer, Department of Defense; and public witnesses.

Joint Committee Meetings

LATIN AMERICAN DEVELOPMENT

Joint Economic Committee: Subcommittee on Inter-American Economic Relationships continued its series of hearings on Latin American development and West-

Next meeting of the SENATE
10:00 a.m., Friday, September 10

Next meeting of the HOUSE OF REPRESENTATIVES
12:00 noon, Monday, September 13

ern Hemisphere trade, having as its witnesses George S. Moore, President, Inter-American Council of Commerce and Production; and Felipe Herrara, President, Inter-American Development Bank, who submitted a written statement.

Hearings continue tomorrow.

ORGANIZATION OF CONGRESS

Joint Committee on the Organization of the Congress: Committee resumed its hearings on various proposed changes in congressional organization, having as its witnesses Charles L. Schultze, Director, and Elmer B. Staats, Deputy Director, both of the Bureau of the Budget.

Hearings were recessed subject to call.

TARIFF MATTERS

Conferees, in executive session, agreed to file a conference report on the differences between the Senate- and House-passed versions of H.R. 7969, to amend and correct certain provisions of the tariff schedules of the U.S.

Conferees also reached agreement on the differences between the Senate- and House-passed versions of H.R. 5768, extending period for existing suspension of duties on certain classes of yarn and silk.

BILL SIGNED BY THE PRESIDENT

New Law

(For last listing of public laws, see DIGEST, p. D899, September 8, 1965)

H.R. 6927, to establish a Department of Housing and Urban Development. Signed September 9, 1965 (P.L. 89-174).

COMMITTEE MEETINGS FOR FRIDAY, SEPTEMBER 10

(All meetings are open unless otherwise designated)

Senate

Committee on Appropriations, to conclude hearings on H.R. 10871, foreign aid appropriations, to hear public witnesses, 10 a.m., to be followed by an executive session at 2 p.m. to mark up the bill, both meetings in 1223 New Senate Office Building.

Committee on the District of Columbia, Fiscal Affairs Subcommittee, on H.R. 1066, re retired D.C. judges; H.R. 8058, re D.C. taxes; and S. 2391, re taxation of certain D.C. property, 10 a.m., 6226 New Senate Office Building.

Committee on Interior and Insular Affairs, executive, on S. 1446, wild rivers bill, 10 a.m., 3112 New Senate Office Building.

Committee on the Judiciary, Antitrust and Monopoly Subcommittee, on economic concentration, 10 a.m., 2228 New Senate Office Building.

House

Committee on Agriculture, executive, to continue on sugar legislation, 10 a.m., 1301 Longworth House Office Building.

Committee on Appropriations, Subcommittee on State, Justice, Commerce, and Judiciary, executive, on pending business, 10:30 a.m., H-310 U.S. Capitol Building.

Committee on Interior and Insular Affairs, Subcommittee on Irrigation and Reclamation, to continue on H.R. 7406, and related bills, to authorize the Secretary of the Interior to construct, operate, and maintain a third powerplant at the Grand Coulee Dam, Columbia Basin project, Washington, 9:45 a.m., 1324 Longworth House Office Building.

Joint Committees

Joint Economic Committee, Subcommittee on Inter-American Economic Relationships, on Latin American development and Western Hemisphere trade, 10 a.m., room AE-1, Capitol.

Conferees, executive, on H.R. 4750, proposed Interest Equalization Tax Act of 1965, 9:30 a.m., room H-208, Capitol.



Congressional Record

appropriate provisions of Title 44, United States Code, and published for each day that one or both Houses are in session, excepting very infrequent instances when two or more unusually small consecutive issues are printed at one time. ¶ The Congressional Record will be furnished by mail to subscribers, free of postage, for \$1.50 per month, payable in advance. Remit check or money order, made payable to the Superintendent of Documents, directly to the Government Printing Office, Washington, D.C., 20402. For subscription purposes, 20 daily issues constitute a month. The charge for individual copies varies in proportion to the size of the issue. ¶ Following each session of Congress, the daily Congressional Record is revised, printed, permanently bound and is sold by the Superintendent of Documents in individual parts or by sets. ¶ With the exception of copyrighted articles, there are no restrictions on the republication of material from the Congressional Record.

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Sept. 14, 1965

- found unsound governmentally," and inserted an article, "The Extraordinary Powers of the Bureau of the Budget." pp. 22965-8
7. MINERALS. Received from the President the semi-annual report of the Office of Minerals Exploration, Geological Survey. p. 22863
8. ACCOUNTING; BONDING. Received from Treasury the annual report on operations in connection with the bonding of Federal employees. p. 22936

HOUSE

9. POVERTY. Received the conference report on H. R. 8283, to expand the war on poverty and enhance the effectiveness of programs under the Economic Opportunity Act of 1964 (H. Rept. 1001)(pp. 22803-6). The bill amends title III (Special Programs to Combat Poverty in Rural Areas) of the Economic Opportunity Act so as to make clear that prohibition against loans to cooperatives organized for manufacturing purposes does not prevent loans to cooperatives processing dairy products or similar edible farm products; to clarify the authority granted with respect to the types and scope of assistance and the institutions through which assistance may be extended to migrant workers and their families; and to authorize the appropriation of \$55 million for fiscal year 1966 for carrying out the purposes of title III. Also, the bill extends until June 30, 1966, the authority of the Secretary of Agriculture to make indemnity payments to dairy farmers who have been directed since Jan. 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use by the Government at the time of use.
10. LOANS. The Rules Committee reported a resolution for the consideration of H. R. 10232, the FHA loan expansion bill. See Digest 161 for a summary of this bill. pp. 22780-81
11. LANDS. The Interior and Insular Affairs Committee reported without amendment S. 1190, to provide that certain limitations shall not apply to certain land patented to the State of Alaska for the use and benefit of the University of Alaska (H. Rept. 984). p. 22861
12. BUILDINGS. The Government Operations Committee reported with amendment S. 1516, to authorize GSA to enter into contracts for the inspection, maintenance, and repair of fixed equipment in federally owned buildings (H. Rept. 993). p. 22861
13. TRANSPORTATION. Conferees were appointed on S. 1588, to authorize the Secretary of Commerce to undertake research and development in high-speed ground transportation (pp. 22777-78). Senate conferees have already been appointed.
14. TARIFF. The Ways and Means Committee voted to report (but did not actually report) with amendment H. R. 6568, to amend the Tariff Act of 1930 to provide for alteration of the duties on importation of copra, palm nuts and palm nut kernels and the oils crushed therefrom. p. D919
15. DISASTER RELIEF. Several Representatives discussed the damage caused by hurricane Betsy in Louisiana and urged legislation for additional disaster relief. pp. 22811-12, 22812-13, 22844, 22847, 22852

16. PUBLIC WORKS; ECONOMIC DEVELOPMENT. Rep. Patman commended and inserted excerpts from the President's speech on the occasion of the signing of the Public Works and Economic Development Act. pp. 22812-19
17. ELECTRIFICATION. Rep. Schmidhauser inserted a speech by Vice President Humphrey commending the cooperative rural electrification program. pp. 22841-42
18. WATER POLLUTION. The "Daily Digest" states that the conferees "agreed to file a conference report on...S.4, establishing a national program for the control and abatement of water pollution." p. D919
19. PEANUTS. Rep. Abbitt stated that the "peanut industry is one of the most important segments of industry in my area of Virginia," and inserted a speech of the president of the Association of Virginia Peanut and Hog Growers, Inc. pp. 22848-49
20. INSECTICIDES; FISHERIES. The Merchant Marine and Fisheries Committee reported without amendment S. 1623, to authorize a continuing study by Interior of the effects of insecticides, herbicides, fungicides, and other pesticides upon fish and wildlife for the purpose of preventing losses to this resource (H. Rept. 1002). p. 22861
21. WATERSHEDS. The Public Works Committee approved plans for works of improvement on the following watershed projects: Cooper Creek, Ark.; Limestone Stream, Maine; Long Creek, Miss.; Tuscumbia River, Miss. and Tenn.; Grindstone-Lost-Muddy Creek, Mo.; Stewarts Creek-Lovills Creek, N. C. and Va.; Upper Elk Creek, Okla.; Ferron, Utah. Choccolocco Creek, Als.; Little Clear Creek, Ark.; Grove River and South Fork Broad River, Ga.; SuAsCo supplement, Mass.; Busseron supplement, Ind.; Upper Choptank River, Del. and Md.; Little Raccoon Creek, Ind.; Timber Creek, Kans.; Tamarac River, Minn.; Quapaw Creek, Okla.; Buck Creek, Tex.; Cherrystone, Va.; and Rock Creek, Okla. pp. 22797-98

ITEMS IN APPENDIX

22. OPINION POLL. Rep. Brock inserted the results of his 1965 legislative questionnaire, including items of interest to this Department. p. A5151
23. INFORMATION. Extension of remarks of Rep. Younger expressing concern over information "processes" used by the administration, and inserting several articles on the number of press releases issued by the White House, one of which made reference to this Department. p. A5152
24. POVERTY. Reps. Edwards, Ala., Gubser, and Quie inserted articles critical of the poverty program. pp. A5157, A5171, A5181
25. PERSONNEL; PAY. Extension of remarks of Sen. Randolph stating that "It is mandatory that we arrive at an equitable level of compensation for our dedicated Federal employees." pp. A5159-62
26. WATER. Extension of remarks of Rep. Bandstna urging passage of the bill to provide loans for the development of rural water systems and inserting an article, "Water: Rural America's Greatest Need." pp. A5165-6
Extension of remarks of Reps. Brock urging greater utilization of our water resources and inserting articles, "Water: A Dwindling Reserve", and "100 Billion for Fresh Water?" pp. A5174-7

CONSIDERATION OF H.R. 10232

SEPTEMBER 14, 1965.—Referred to the House Calendar and ordered to be printed

Mr. SISK, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 580]

The Committee on Rules, having had under consideration House Resolution 580, report the same to the House with the recommendation that the resolution do pass.



House Calendar No. 162

89TH CONGRESS
1ST SESSION

H. RES. 580

[Report No. 991]

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 14, 1965

Mr. SISK, from the Committee on Rules, reported the following resolution;
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the Union
4 for the consideration of the bill (H.R. 10232) to amend
5 the Consolidated Farmers Home Administration Act of 1961
6 to authorize the Secretary of Agriculture to make or insure
7 loans to public and quasi-public agencies and corporations
8 not operated for profit with respect to water supply, water
9 systems, and waste disposal systems serving rural areas and
10 to make grants to aid in rural community development
11 planning and in connection with the construction of such
12 community facilities, to increase the annual aggregate of

1 insured loans thereunder, and for other purposes, and all
2 points of order against said bill are hereby waived. After
3 general debate, which shall be confined to the bill
4 and shall continue not to exceed two hours, to be
5 equally divided and controlled by the chairman and
6 ranking minority member of the Committee on Agri-
7 culture, the bill shall be read for amendment under the five-
8 minute rule. At the conclusion of the consideration of the
9 bill for amendment, the Committee shall rise and report the
10 bill to the House with such amendments as may have been
11 adopted, and the previous question shall be considered as
12 ordered on the bill and amendments thereto to final passage
13 without intervening motion except one motion to recommit.
14 After passage of H.R. 10232, the Committee on Agriculture
15 shall be discharged from the further consideration of the bill
16 S. 1766, and it shall then be in order in the House to move
17 to strike out all after the enacting clause of said Senate bill
18 and insert in lieu thereof the provisions contained in H.R.
19 10232 as passed.

80TH CONGRESS
1ST SESSION

H. RES. 580

[Report No. 991]

RESOLUTION

Providing for consideration of H.R. 10232, a bill to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

By Mr. SISK

SEPTEMBER 14, 1965

Referred to the House Calendar and ordered to be printed

Because of the emergency phase we have asked that it be considered under this procedure.

GENERAL LEAVE

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks in the RECORD with reference to this bill.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the bill, as follows:

H.R. 10874

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SPOUSES' ANNUITIES

SECTION 1. Subsection (e) of section 2 of the Railroad Retirement Act of 1937 (45 U.S.C. 228b(e)) is amended by changing the colon before the last proviso to a period and by striking out all that follows down through the period at the end of such subsection.

INCREASE IN BASE FOR BENEFIT COMPUTATION PURPOSES

SEC. 2. (a) Subsection (a) of section 3 of the Railroad Retirement Act of 1937 is amended by striking out "the next \$300" and inserting in lieu thereof the following: "the remainder up to a total of (i) \$450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater".

(b) The second sentence of subsection (c) of such section 3 is amended by inserting before "shall be recognized" the following: "and before the calendar month next following the calendar month in which this Act was amended in 1965, or in excess of (i) \$450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, for any calendar month after the month in which this Act was so amended".

(c) Subsection (f) (2) of section 5 of such Act is amended by inserting after "so amended" where it appears the second time in the first parenthetical phrase after clause (vi) the following: "and before the calendar month next following the month in which this Act was amended in 1965, and in excess of (i) \$450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, for any month after the month in which this Act was so amended".

(d) Subsection (1) (9) of section 5 of such Act is amended—

(1) by striking out "and" where it appears the fourth time and inserting in lieu thereof a comma;

(2) by inserting after "so amended" where it appears the second time the following: "and before the calendar month next following the calendar month in which this Act was amended in 1965, and any excess over (i) \$450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, for any calendar month after the month in which this Act was so amended";

(3) by striking out "\$6,600" both times it appears in such subsection and inserting in lieu thereof "an amount equal to the current maximum annual taxable 'wages' as

defined in section 3121 of the Internal Revenue Code of 1954"; and

(4) by striking out "\$450" where it appears the second time and inserting in lieu thereof "(i) \$450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater,".

(e) Subsection (1) (10) of section 5 of such Act is amended by striking out "\$450" and inserting in lieu thereof "(i) \$450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater".

INCREASE IN BASE FOR TAX PURPOSES

SEC. 3. Sections 3201, 3202, 3211, and 3221 of the Internal Revenue Code of 1954 (relating to taxes under the Railroad Retirement Tax Act) are each amended by inserting after the phrase "or \$450 for any calendar month after the month in which this provision was so amended", wherever such phrase appears in such sections, the following: "and before the calendar month next following the calendar month in which this provision was amended in 1965, or (i) \$450, or (ii) an amount equal to one-twelfth of the current maximum annual taxable 'wages' as defined in section 3121 of the Internal Revenue Code of 1954, whichever is greater, for any month after the month in which this provision was so amended".

CHANGES IN TAX RATES

SEC. 4. (a) Section 3201 of the Internal Revenue Code of 1954 (relating to rate of tax on employees under the Railroad Retirement Tax Act) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) 6¼ percent of so much of the compensation paid to such employee for services rendered by him after September 30, 1965,

"(2) 6½ percent of so much of the compensation paid to such employee for services rendered by him after December 31, 1965.

"(3) 6¾ percent of so much of the compensation paid to such employee for services rendered by him after December 31, 1965,

"(4) 7 percent of so much of the compensation paid to such employee for services rendered by him after December 31, 1967, and

"(5) 7¼ percent of so much of the compensation paid to such employee for services rendered by him after December 31, 1968".

(b) Section 3211 of such Code (relating to rate of tax on employee representatives under the Railroad Retirement Tax Act) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) 12½ percent of so much of the compensation paid to such employee representative for services rendered by him after September 30, 1965,

"(2) 13 percent of so much of the compensation paid to such employee representative for services rendered by him after December 31, 1965,

"(3) 13½ percent of so much of the compensation paid to such employee representative for services rendered by him after December 31, 1966,

"(4) 14 percent of so much of the compensation paid to such employee representative for services rendered by him after December 31, 1967, and

"(5) 14½ percent of so much of the compensation paid to such employee representative for services rendered by him after December 31, 1968".

(c) Section 3221 of such Code (relating to rate of tax on employers under the Railroad Retirement Tax Act) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) 6¼ percent of so much of the compensation paid by such employer for serv-

ices rendered to him after September 30, 1965,

"(2) 6½ percent of so much of the compensation paid by such employer for services rendered to him after December 31, 1965,

"(3) 6¾ percent of so much of the compensation paid by such employer for services rendered to him after December 31, 1966,

"(4) 7 percent of so much of the compensation paid by such employer for services rendered to him after December 31, 1967, and

"(5) 7¼ percent of so much of the compensation paid by such employer for services rendered to him after December 31, 1968".

EFFECTIVE DATES

SEC. 5. The amendments made by the first two sections of this Act shall take effect with respect to annuities accruing and deaths occurring in months after the month in which this Act is enacted, and shall apply also to annuities paid in lump sums equal to their commuted value because of a reduction in such annuities under section 2(e) of the Railroad Retirement Act of 1937, as in effect before the amendments made by this Act, as if such annuities had not been paid in such lump sums: *Provided, however,* That the amounts of such annuities which were paid in lump sums equal to their commuted value shall not be included in the amount of annuities which become payable by reason of section 1 of this Act. The amendments made by section 3 of this Act shall take effect with respect to calendar months after the month in which this Act is enacted. The amendments made by section 4 of this Act shall take effect with respect to compensation paid for services rendered after September 30, 1965.

Amend the title so as to read: "A bill to amend the Railroad Retirement Act of 1937 and the Railroad Retirement Tax Act to eliminate certain provisions which reduce spouses' annuities, to provide coverage for tips, to increase the base on which railroad retirement benefits and taxes are computed, and to change the railroad retirement tax rates."

With the following committee amendments:

Page 2, after line 2, insert the following new section:

"COVERAGE OF TIPS

"SEC. 2. (a) (1) Subsection (a) of section 3202 of the Internal Revenue Code of 1954 (relating to deduction of tax from compensation) is amended by adding at the end thereof the following new sentence: 'An employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053(a) to which paragraph (3) of section 3231(e) is applicable may deduct an amount equivalent to such tax with respect to such tips from any compensation of the employee (exclusive of tips) under his control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20.'

"(2) Such section 3202 is amended by adding at the end thereof the following new subsection:

"(c) SPECIAL RULE FOR TIPS.—

"(1) In the case of tips which constitute compensation, subsection (a) shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053(a), and only to the extent that collection can be made by the employer, at or after the time such statement is so furnished and before the close of the 10th day following the calendar month (or, if paragraph (3) applies, the 30th

day following the quarter) in which the tips were deemed paid, by deducting the amount of the tax from such compensation of the employee (excluding tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) as are under control of the employer.

"(2) If the tax imposed by section 3201, with respect to tips which are included in written statements furnished in any month to the employer pursuant to section 6053(a), exceeds the compensation of the employee (excluding tips) from which the employer is required to collect the tax under paragraph (1), the employee may furnish to the employer on or before the 10th day of the following month (or, if paragraph (3) applies, on or before the 30th day of the following quarter) an amount of money equal to the amount of the excess.

"(3) The Secretary or his delegate may, under regulations prescribed by him, authorize employers—

"(A) to estimate the amount of tips that will be reported by the employee pursuant to section 6053(a) in any quarter of the calendar year,

"(B) to determine the amount to be deducted upon each payment of compensation (exclusive of tips) during such quarter as if the tips so estimated constituted actual tips so reported, and

"(C) to deduct upon any payment of compensation (other than tips, but including funds turned over by the employee to the employer pursuant to paragraph (2)) to such employee during such quarter (and within 30 days thereafter) such amount as may be necessary to adjust the amount actually deducted upon such compensation of the employee during the quarter to the amount required to be deducted in respect of tips included in written statements furnished to the employer during the quarter.

"(4) If the tax imposed by section 3201 with respect to tips which constitute compensation exceeds the portion of such tax which can be collected by the employer from the compensation of the employee pursuant to paragraph (1) or paragraph (3), such excess shall be paid by the employee."

"(b) (1) The second sentence of subsection (e) (1) of section 3231 of such Code (relating to definition of compensation for purposes of the Railroad Retirement Tax Act) is amended by inserting '(except as is provided in paragraph (3))' after 'tips'.

"(2) Subsection (e) of such section 3231 is further amended by adding at the end thereof the following new paragraph:

"(3) Solely for purposes of the tax imposed by section 3201 and other provisions of this chapter insofar as they relate to such tax, the term 'compensation' also includes cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is less than \$20."

"(3) Such section 3231 is further amended by adding at the end thereof the following new subsection:

"(h) TIPS CONSTITUTING COMPENSATION, TIME DEEMED PAID.—For purposes of this chapter, tips which constitute compensation for purposes of the tax imposed under section 3201 shall be deemed to be paid at the time a written statement including such tips is furnished to the employer pursuant to section 6053(a) or (if no statement including such tips is so furnished) at the time received; and tips so deemed to be paid in any month shall be deemed paid for services rendered in such month."

"(c) Section 3402(k) of such Code (relating to income tax collected at source on tips) is amended (1) by inserting 'for section 3202(c)(2)' after 'section 3102(c)(2)' and (2) by inserting 'or section 3202(a)' after 'section 3102(a)'.

"(d) (1) Section 6053(a) of such Code (relating to reports of tips by employees) is

amended by inserting 'or which are compensation (as defined in section 3231(e))' after 'or section 3401(a)'.

"(2) Section 6053(b) of such Code (relating to statements furnished by employers) is amended (A) by inserting 'or section 3201 (as the case may be)' after 'section 3101', and (B) by inserting 'or section 3202 (as the case may be)' after 'section 3102'.

"(e) Section 6652(c) of such Code (relating to failure to report tips) is amended (1) by inserting 'or which are compensation (as defined in section 3231(e))' after 'which are wages (as defined in section 3121(a))', and (2) by inserting 'or section 3201 (as the case may be)' after 'section 3101'.

"(f) (1) Subsection (h) of section 1 of the Railroad Retirement Act of 1937 is amended (A) by inserting '(1)' after '(h)', (B) by inserting in the second sentence thereof '(except as is provided under paragraph (2))' after 'tips', and (C) by adding at the end thereof the following new paragraphs:

"(2) Solely for purposes of determining amounts to be included in the compensation of an individual who is an employee (as defined in subsection (b)) the term 'compensation' shall (subject to section 3(c)) also include cash tips received by an employee in any calendar month in the course of his employment by an employer unless the amount of such cash tips is less than \$20.

"(3) Tips included as compensation by reason of the provisions of paragraph (2) shall be deemed to be paid at the time a written statement including such tips is furnished to the employer pursuant to section 6053(a) of the Internal Revenue Code of 1954 or (if no statement including such tips is so furnished) at the time received; and tips so deemed to be paid in any month shall be deemed paid for services rendered in such month."

"Page 2, line 4, strike out 'SEC. 2.' and insert in lieu thereof 'Sec. 3.'"

"Page 4, line 12, strike out 'SEC. 3.' and insert in lieu thereof 'SEC. 4.'"

"Page 5, line 2, strike out 'SEC. 4.' and insert in lieu thereof 'SEC. 5.'"

"Page 6, line 18, strike out '3221' and insert in lieu thereof '3221(a)'"

"Page 7, line 13, strike out 'SEC. 5.' and insert in lieu thereof 'SEC. 6.'"

"Page 7, line 13, strike out 'the first two sections' and insert in lieu thereof 'sections 1 and 3'."

"Page 7, strike out 'The amendments' in line 25 and all that follows through page 8, line 5, and insert in lieu thereof the following:

"The amendments made by section 2 of this act shall apply only with respect to tips received after 1965. The amendments made by section 4 of this act shall apply only with respect to calendar months after the month in which this act is enacted. The amendments made by section 5 of this act shall apply only with respect to compensation paid for services rendered after September 30, 1965."

Mr. HARRIS (interrupting the reading). Mr. Speaker, I ask unanimous consent that further reading of the amendments be dispensed with and that they be printed in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to amend the Railroad Retirement Act of 1937 and the Railroad Retirement

Tax Act to eliminate certain provisions which reduce spouses' annuities, to provide coverage for tips, to increase the base on which railroad retirement benefits and taxes are computed, and to change the railroad retirement tax rates."

A motion to reconsider was laid on the table.

SENATE AMENDMENT TO H.R. 3157, TO AMEND THE RAILROAD RETIREMENT ACT OF 1937

Mr. HARRIS. Mr. Speaker, I rise to a question of the privilege of the House and offer a resolution.

The Clerk read the resolution, as follows:

H. RES. 578

Resolved, That the amendment in the nature of a substitute added by the Senate to the House bill (H.R. 3157) to amend the Railroad Retirement Act of 1937 in the opinion of this House contravenes the first clause of the seventh section of the first article of the Constitution of the United States and is an infringement of the privileges of this House, and that the said bill, with the amendments, be respectfully returned to the Senate with a message communicating this resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

AMEND SECTION 170 OF ATOMIC ENERGY ACT

Mr. BOLLING, from the Committee on Rules, reported the following privileged resolution (H. Res. 579, Report No. 990) which was referred to the House Calendar and ordered to be printed:

H. RES. 579

Resolution, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 2042) to amend section 170 of the Atomic Energy Act of 1954, as amended, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Joint Committee on Atomic Energy, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

AMEND CONSOLIDATED FARMERS HOME ADMINISTRATION ACT

Mr. BOLLING (on behalf of Mr. SISK), from the Committee on Rules, reported the following privileged resolution (H. Res. 580, Rept. No. 991) which was referred to the House Calendar and ordered to be printed:

H. RES. 580

Resolved, That upon the adoption of this resolution, it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 10232) to amend the Consolidated Farmers Home Administration Act of 1961 to author-

ize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit. After passage of H.R. 10232, the Committee on Agriculture shall be discharged from the further consideration of the bill S. 1766, and it shall then be in order in the House to move to strike out all after the enacting clause of said Senate bill and insert in lieu thereof the provisions contained in H.R. 10232 as passed.

JEFFERSON NATIONAL EXPANSION MEMORIAL

Mr. BOLLING, from the Committee on Rules, reported the following privileged resolution (H. Res. 581, Rept. No. 992) which was referred to the House Calendar and ordered to be printed:

H. RES. 581

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 6519) to amend the Act of May 17, 1954 (68 Stat. 98), as amended, providing for the construction of the Jefferson National Expansion Memorial at the site of old Saint Louis, Missouri, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on House Administration, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

CALL OF THE HOUSE

Mr. ROUDEBUSH. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

Adair	Harvey, Ind.	Poage
Andrews,	Harvey, Mich.	Pool
George W.	Hébert	Powell
Arends	Hungate	Resnick
Ashbrook	Ichord	Rivers, Alaska
Baring	Johnson, Okla.	Roosevelt
Bolton	Jones, Mo.	Rosenthal
Bonner	Kelly	Ryan
Casey	Keogh	Sickles
Celler	Lindsay	Sisk
Conyers	Long, Md.	Stalbaum
Cunningham	McClory	Thomas
Daddario	McDowell	Thompson, Tex.
Derwinski	Martin, Ala.	Toll
Farnsley	May	Weltner
Fogarty	Morton, Md.	Willis
Ford, Gerald R.	Moss	Wright
Gallagher	Multer	
Griffiths	Pirnie	

The SPEAKER. On this rollcall, 377 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

CORRECTION OF VOTE

Mr. ROONEY of New York. Mr. Speaker, on rollcall No. 293, I am recorded as not voting. I was present and voted "yea." I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

CORRECTION OF VOTE

Mr. DULSKI. Mr. Speaker, on rollcall No. 282, I am recorded as not voting. I was present and voted "nay." I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

CORRECTION OF ROLL CALL

Mr. MOORE. Mr. Speaker, on rollcall No. 277, on September 13, a quorum call, I am recorded as absent. I was present and answered to my name. I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

CORRECTION OF VOTE

Mr. BOW. Mr. Speaker, on rollcall No. 279, I am recorded as not voting. I was present and voted "nay." I ask unanimous consent that the permanent Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

RELATING TO THE ESTABLISHMENT OF CONCESSION POLICIES IN THE AREAS ADMINISTERED BY NATIONAL PARK SERVICE

Mr. PEPPER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 520 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 520

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 2091) relating to the establishment of concession policies in the areas administered by National Park Service, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interior and Insular Affairs, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER pro tempore. The gentleman from Florida is recognized for 1 hour.

Mr. PEPPER. Mr. Speaker, I yield 30 minutes to the able gentleman from Tennessee [Mr. QUILLEN] and I yield myself such time as I may consume.

Mr. Speaker, House Resolution 520 provides an open rule with 2 hours of general debate for consideration of H.R. 2091, a bill relating to the establishment of concession policies in the areas administered by National Park Service and for other purposes.

The principal purpose of H.R. 2091 is to put into statutory form policies which, with certain exceptions, have heretofore been followed by the National Park Service in administering concessions within units of the national park system and in writing contracts for concessionaire services there. These policies have been in force since 1950 by virtue of an understanding between the Committee on Interior and Insular Affairs and the then Secretary of the Interior. Among other things, they deal with the subjects of a concessionaire's possessory interest in improvements constructed or acquired by him on national park land, the compensation to which he is entitled if, in various circumstances, he wishes or is obliged to give up this possessory interest, and the granting of preferential rights to established concessionaires to furnish additional facilities and services when needed and in the renewal and extension of contracts.

The bill also deals with other matters related to concessions.

Visitation to the various units of the national park system has expanded

steadily since World War II and the need for this legislation has been growing year by year.

Mr. Speaker, I shall not go further into the details or the merits of this legislation, because it will be ably presented a little later by those who favor and oppose the legislation.

I urge the adoption of the rule.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. PEPPER. I yield to the able gentleman from Iowa, my learned friend.

Mr. GROSS. I thank the gentleman for yielding.

Let me say to the gentleman that I am pleased to see the House back today to normal procedure. Not only that, but I note this bill has been around for quite some time, apparently about 4 weeks. That is somewhere in the neighborhood of 28 days, not 21 days. If I am informed correctly, the rule was granted on this about 4 weeks ago.

So I say to the gentleman I am pleased to see we are back to normal procedure, that the 21-day rule has been more covered, without resort to it and everything appears to be lovely and the goose hangs high.

Mr. PEPPER. Mr. Speaker, in behalf of our able chairman and my colleagues on the committee, I thank the able gentleman.

It is always a pleasure for this committee to serve this great House.

Mr. QUILLEN. Mr. Speaker, I yield myself such time as I may consume.

(Mr. QUILLEN asked and was given permission to revise and extend his remarks and include extraneous matter.)

Mr. QUILLEN. Mr. Speaker, we are considering House Resolution 520, which would grant a 2-hour open rule for H.R. 2091—a bill relating to the establishment of concession policies in the areas administered by the National Park Service. The committee report states:

The principal purpose of H.R. 2091 is to put into statutory form policies which, with certain exceptions, have heretofore been followed by the National Park Service in administering concessions within units of the national park system and in writing contracts for concessionaire services there. These policies have been in force since 1950 by virtue of an understanding between the Committee on Interior and Insular Affairs and the then Secretary of the Interior. Among other things, they deal with the subjects of a concessioner's possessory interest in improvements constructed or acquired by him on national park land, the compensation to which he is entitled if, in various circumstances, he wishes or is obliged to give up this possessory interest, and the granting of preferential rights to established concessioners to furnish additional facilities and services when needed and in the renewal and extension of contracts. H.R. 2091 also deals with many other matters related to concessions.

There is a controversy on the purposes of this bill between two of the most outstanding committees of the House—the Committee on Interior and Insular Affairs and the Committee on Government Operations.

The Rules Committee first took up H.R. 2091 with the very able chairman of each of the committees appearing and presenting their testimony.

It was hoped that the membership of the two committees could get together and agree on a bill. The chairman of each committee reported that they were hopelessly deadlocked.

Under date of July 29, 1965, the distinguished and able chairman of the Committee on Interior and Insular Affairs, Hon. WAYNE N. ASPINALL, wrote to the chairman and members of the Rules Committee. The gentleman will explain this during the general debate. I am however, including his letter for RECORD purposes:

I ask your support of the request for a rule on H.R. 2091 (to establish concession policies in the areas administered by the National Park Service), which will be considered by your Committee in the near future.

This urgently needed legislation has been endorsed by the National Park Service, by Interior Secretary Udall, and by many organizations and individuals familiar with the problems in the National Park Service. It was reported from our committee by a unanimous vote.

We recognize that there is opposition outside the Committee on Interior and Insular Affairs to this legislation and that the chairman of the Committee on Government Operations wrote to all members of the Rules Committee on July 19 and July 26 expressing his reasons for thinking that H.R. 2091 should not be enacted. We are also glad to note, however, that Chairman Dawson's letters do not oppose the granting of a rule on this bill.

Some background on the bill and our committee's reasons for thinking it important that it be acted on at this time follow:

During recent years, visits to National Park Service areas have increased at a fantastic pace and last year reached more than 110 million. There is a pressing need for all kinds of additional visitor facilities, including hotels, restaurants, etc. Most of the new facilities must be provided by private capital obtained by companies and individuals holding concession contracts with the National Park Service. For the last several years the National Park Service has been under pressure from the Hill not to enter into the new or renewed long-term contracts which are necessary to cope with this situation. Nearly all the contracts it has negotiated and entered into have been 1-year renewals of existing contracts as they expire. This is thoroughly unsatisfactory and only enactment of H.R. 2091 or something like it can cure the problems at hand.

I mention this first because of the emphasis Congressman Dawson's letters put on the desirability of a Government-wide review of concession policies. I agree that such a review is desirable, I hope that it will be undertaken, and I will be glad to help in it. But we cannot let the shadowy prospect of (to quote the Bureau of Budget) "a special study of this matter" which may or may not be "undertaken under its leadership within the next year" and which "might (or might not) lead to the submission of recommendations for appropriate legislation, either in an omnibus bill on a Government-wide basis, or in a series of bills for the agencies concerned (which might or might not be enacted)" stand in the way of consideration by the House at this time of a bill that is long overdue and that has been thoroughly considered by our committee two Congresses in a row.

H.R. 2091 would simply enact into law the policies which now and for many years have been used by the National Park Service with the approval of the House Interior Committee. It is time that these policies be incorporated into the statutes, for it has been extremely difficult for the national park concessioners to obtain equity or loan capital

when there is no statutory statement of Government policy applicable to these business operations.

Opposition to the bill comes from people who we believe fail to appreciate the special problems and difficulties of park concessioners. While the concessioners in many instances have an exclusive franchise, they operate under great restraints not imposed on the rest of the tourist services industry. For example:

1. The concessioners do not own the lands on which they erect expensive buildings and improvements; they are thus prevented from borrowing money on ordinary mortgage arrangements.

2. Most of the concessioners operate highly seasonal businesses with their assets idle the rest of the year. They are often located far from established communities and suppliers.

3. They operate under rigorous, detailed government contracts which frequently require nonprofitable services and under which their rates and prices are subject to control by the Secretary of the Interior.

4. The concessioners must pay, in addition to all regular taxes and business expenses, a Park Service franchise fee.

The assumptions of the opponents of H.R. 2091 bear little or no resemblance to reality. They assume that National Park Service concessioner enterprises are businesses which can be conducted under the normal rules of free competition and that in granting concessions the end in view should be that of procuring as much income for the Government as possible. We, on the other hand, are convinced that the results of applying the usual competitive bidding rules would be as unsatisfactory in the future as they have been in the past, that the object of having concessioners must be more to satisfy the public's needs for good services in our parks than to get money into the Federal till, that satisfactory concessioner services cannot be procured by seeing who bids highest for the privileges involved, and that fairly long-term contracts with a preferential right of renewal are necessary not only to induce the necessary capital to come into the market but to assure that continuity of experience which is important to the public as well as to the Government and to the concessioner himself. These are the premises on which H.R. 2091 is built and which furnish answers to most of the detailed criticisms of its opponents. We believe we are correct in the premises and that our opponents are mistaken and that, right or wrong, they are matters which can and ought to be argued out and decided on the floor of the House.

I conclude, therefore, as I began—H.R. 2091 deserves consideration by the membership of the House as a whole and not only by members of the Committee on Interior and Insular Affairs and the Committee on Government Operations. To this end, I ask your support for the necessary rule.

Sincerely yours,

WAYNE N. ASPINALL,
Chairman.

Under date of August 11, 1965, the distinguished and able chairman of the Committee on Government Operations, Hon. WILLIAM L. DAWSON, wrote the chairman and members of the Rules Committee.

The gentleman will explain this during general debate. I am, however, including his letter at this point:

HOUSE OF REPRESENTATIVES, COMMITTEE ON GOVERNMENT OPERATIONS,

Washington, D.C., August 11, 1965.

HON. JAMES H. QUILLEN,
1318 Longworth Office Building,
Washington, D.C.

DEAR COLLEAGUE: We appreciate your giving us this further opportunity to place be-

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For actions of Sept. 23, 1965
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HIGHLIGHTS: House adopted conference report on poverty bill. House passed bill to expand various FHA loan authorizations. Senate passed foreign-aid appropriation bill. Sen. McGovern spoke on world food problems.

SENATE

1. FOREIGN AID APPROPRIATION BILL. Passed, 59-22, with amendments this bill, H. R. 10871. Senate conferees were appointed. pp. 23917-8, 23926-49, 23957-87
2. FOOD SHORTAGE. Sen. McGovern spoke on the world food problem, stating that it is important now and will become the number 1 problem of the future. Sen. Dodd commended the speech, giving supplemental information. pp. 23918-24
3. RIVERS-HARBORS; FLOOD CONTROL. Conferees were appointed on the rivers-and-harbors and flood-control bill, S. 2300. House conferees have not yet been appointed. pp. 23949-57
4. CONTRACTS; LABOR STANDARDS. A subcommittee of the Labor and Public Welfare Committee approved H. R. 10238, to provide labor standards for certain persons employed by Federal contractors to furnish services to Federal agencies. p. D958

5. WATER PROBLEMS. S. Con. Res. 55, to express the sense of Congress regarding certain water problems confronting the U. S. and Canada, was transferred from the Foreign Relations Committee to the Public Works Committee. p. 24009
6. ELMER THOMAS. Sen. Monroney paid tribute to former Sen. Elmer Thomas, who was Chairman of the Agriculture and Forestry Committee. p. 24009
7. EXHIBITIONS. Sen. Lausche criticized S. 2167, providing for U. S. participation in the HemisFair to be held in San Antonio, Tex., in 1968. pp. 24008-9
8. POVERTY. Sen. Murphy inserted an article criticizing the Job Corps budget. p. 24001
Sen. Williams, Del., criticized an expenditure item of the Job Corps. p. 24003
9. STOCKPILE. The Armed Services Committee reported without amendment H. R. 10516, to authorize disposal of vegetable tannin extracts in the national stockpile (H. Rept. 778), and with amendment H. R. 6852, to authorize disposal of abaca (H. Rept. 779). p. 23987
10. SPENDING. Sen. Dirksen inserted a table showing 50 new authorizations and the amounts of resulting costs which he estimates. p. 23962
11. LEGISLATIVE PROGRAM. Sen. Mansfield announced that the poverty bill will be considered today, the Senate will then adjourn until Tues., and the HemisFair bill will then be taken up. pp. 23964, 24009

HOUSE

12. POVERTY. Adopted the conference report on H. R. 8283, to expand the war on poverty and enhance the effectiveness of programs under the Economic Opportunity Act. pp. 24021-22
13. LOANS. Passed with amendment S. 1766, the FHA loan expansion bill, after substituting the language of H. R. 10232 which was passed earlier, by a vote of 325 to 10, ^{with} an amendment by Rep. Dingell to require that proposed projects comply with State standards of pollution control (pp. 24051-69). See digest 161 for provisions of this bill.
14. LUMBER. The Merchant Marine and Fisheries Committee reported without amendment H. R. 10198, to amend the requirements relating to lumber under the Shipping Act, 1916 (H. Rept. 1088). pp. 24116-17
15. COST-OF-LIVING. The Post Office and Civil Service Committee reported without amendment H. J. Res. 569, requiring a cost-of-living survey to be made by the Bureau of Labor Statistics before the cost-of-living allowance for Federal employees in Puerto Rico and the Virgin Islands be reduced (H. Rept. 1091). p. 24117
16. AIR POLLUTION. Agreed to a resolution for the consideration of S. 306, to amend the Clean Air Act and to provide for the establishment of a Federal Air Pollution Control Laboratory. pp. 24045-48
17. LEGAL AID. A subcommittee of the Judiciary Committee approved for full committee action S. 1758, amended, to provide for the right of persons to be

marks and to include extraneous matter.)

Mr. SMITH of California. Mr. Speaker, I yield myself such time as I may use.

Mr. Speaker, this will be the shortest response to a rule that I have ever made. I agree with every statement the gentleman from Florida has made, and concur in those statements and urge adoption of the rule.

Mr. PEPPER. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

AMENDING THE CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961

Mr. SISK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 580, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 10232) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit. After passage of H.R. 10232, the Committee on Agriculture shall be discharged from the further consideration of the bill S. 1766, and it shall then be in order in the House to move to strike out all after the enacting clause of said Senate bill and insert in lieu thereof the provisions contained in H.R. 10232 as passed.

Mr. SISK. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio [Mr. LATTI] and at this time I yield myself such time as I may consume.

Mr. Speaker, House Resolution 580 provides for consideration of H.R. 10232, a bill to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste

disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes. The resolution provides an open rule, waiving points of order, with 2 hours of general debate. After passage of H.R. 10232, the Committee on Agriculture shall be discharged from further consideration of S. 1766, and it shall be in order to move to strike out all after the enacting clause of the Senate bill and insert the House-passed language in lieu thereof.

The establishment of adequate water and waste disposal system is one of the crying needs of rural America. City dwellers take these facilities for granted. If a rural resident wants these conveniences, he must provide them for himself—at great expense and often with the frustrating result of having systems which just do not quite work.

The purpose of H.R. 10232 is to establish for rural communities a program of Federal assistance in the construction of water and sanitation systems comparable to the Federal programs which are available under several statutes for urban communities.

The bill would implement this program by expanding the Farmers Home Administration insured loan authority and providing means of making such loans more attractive to investors through better yields and repurchase agreements.

Mr. Speaker, I urge the adoption of House Resolution 580 in order that H.R. 10232 may be considered.

(Mr. SISK asked and was given permission to revise and extend his remarks.)

Mr. COLLIER. Mr. Speaker, will the gentleman yield?

Mr. SISK. I yield to the gentleman from Illinois.

Mr. COLLIER. Mr. Speaker, is there any particular reason that this rule provides for a waiver of all points of order?

Mr. SISK. It is my understanding that in the Farmers Home Administration you have a revolving fund, and I am assuming that is the reason for the waiving of points of order, because the revolving fund is involved.

The gentleman from Texas [Mr. POAGE] is here, and if the gentleman wishes to make a further comment on the reasons for waiving points of order, I yield to him for that purpose.

Mr. POAGE. We did not ask that points of order be waived. That was something that was just given to us without any request on our part. But I suppose the gentleman from California is probably correct that the Committee on Rules felt that when one of these revolving funds is involved, it would probably be better to waive points of order on the bill. I am sure that it is desirable, but we did not ask for that.

Mr. SISK. I might say to the gentleman, it is my understanding that this is the normal procedure in dealing with these revolving funds where they are

involved in a grant and loan program and that there would be a question of points of order. As the gentleman indicates, it has been quite some time since this rule was granted. I do not really remember exactly what was said but as the gentleman has indicated, they probably did not ask for it but apparently we did feel it was to their advantage that points of order be waived.

Mr. COLLIER. May I say that merely because it has been normal procedure, it hardly seems quite a sufficient reason for having this waiver of points of order in the resolution.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. SISK. I yield to the gentleman.

Mr. GROSS. I would like to ask the gentleman a question with regard to one of the rules which was just adopted here on one of these bills—which are not available at the desk and I do not know how we are supposed to proceed this afternoon on all these bills unless we get some bills and some reports here—but let me ask the gentleman on one of these rules whether it was not stated that there was a garbage disposal provision in the bill which was reported out of the Committee on Interstate and Foreign Commerce. I note that in this bill we are going to dispose of some more garbage and that is to be found on page 2 of the bill, the consideration of which would be made in order under the pending resolution. Is there any garbage left that has to be disposed of anywhere?

Mr. SISK. May I say to the gentleman that, of course, the bill he is referring to deals with an entirely different type of garbage. I think here we are concerned with the problems concerning sewer systems and other disposal systems in rural communities. The gentleman knows that there have been a number of pieces of legislation passed providing for certain types of loans and grants with reference to the need for constructing sewage disposal plants and so on. The bill which would be made in order by the adoption of this rule is to authorize the Farmers Home Administration to help rural communities, that is, those communities with under 5,500 population to carry out certain types of programs if they can be justified to the department and meet the criteria which will be established in the legislation and under the regulation of the Farmers Home Administration.

Mr. GROSS. I thank the gentleman, but I still do not have an answer to my question. Why should we need garbage disposal in two bills coming from two different committees?

Mr. SISK. Well there are different types of garbage involved, may I say to the gentleman.

Mr. GROSS. Along with the gentleman from Illinois [Mr. COLLIER], I do not understand why points of order are waived without some request on the part of the legislative committee. I am wondering, if this has become standard procedure for the Rules Committee to just waive points of order without any request on the part of the standing committee,

where this pressure for this kind of business is coming from?

Mr. SISK. Normally the Committee on Rules does not waive points of order unless there is a specific request or specific reasons for doing so. I will say that generally on bills dealing with revolving funds, I think it has been the normal procedure to waive points of order. I want to say quite frankly here that that is the only justification I know of at the moment, and I am being quite frank in saying that this rule was granted some days ago and I will admit that my memory is not as good as it should be as to exactly what transpired during the actual granting of the rule. I note my friend, the gentleman from California [Mr. SMITH] is on his feet and I will be glad to yield to him if he wishes to comment on this matter.

Mr. SMITH of California. I appreciate the gentleman yielding to me, but if my recollection is correct, we originally heard this bill on September 1 and we deferred action at that time. On September 9, it was brought up and granted an open rule of 2 hours. Nothing was ever mentioned about waiving points of order and I did not vote for that in the committee. Having read the resolution here now this is the first time I have ever seen all points of order waived.

Mr. SISK. I may say to my friend, the gentleman from California, I certainly cannot recall at the moment the discussion on this matter as to what was included in the rule which, of course, was checked by the Parliamentarian and I suppose this action was taken simply on the basis of the revolving fund being involved.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. SISK. I yield to the gentleman from Oklahoma.

Mr. ALBERT. The reason is that there is a revolving fund, and they are using money out of these funds for administrative purposes. That is the only reason.

Mr. SISK. Mr. Speaker, I reserve the balance of my time.

[Mr. LATTA addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. LATTA. Mr. Speaker, I have no further requests for time. I yield back the remainder of my time.

The SPEAKER. The question is on the resolution.

Mr. SISK. Mr. Speaker, I move the previous question.

The SPEAKER. The question is on ordering the previous question.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. GROSS. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently, a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 279, nays 70, not voting 83, as follows:

[Roll No. 321]

YEAS—279

Abernethy	Gonzalez	Ottinger
Adams	Grabowski	Passman
Addabbo	Gray	Patten
Albert	Green, Oreg.	Pepper
Anderson,	Green, Pa.	Perkins
Tenn.	Greigg	Philbin
Andrews,	Grider	Pickle
Glenn	Griffin	Pike
Andrews,	Griffiths	Pirnie
N. Dak.	Hagan, Ga.	Poage
Annuozio	Hagen, Calif.	Pool
Ashley	Hailey	Powell
Ashmore	Halpern	Price
Aspinall	Hamilton	Pucinski
Baldwin	Hanley	Purcell
Bandstra	Hanna	Quile
Baring	Hansen, Iowa	Race
Battin	Hansen, Wash.	Randall
Beckworth	Hardy	Redlin
Belcher	Harvey, Ind.	Reid, N.Y.
Bell	Hathaway	Reifel
Bennett	Hays	Reuss
Berry	Hechler	Rhodes, Pa.
Bingham	Helstoski	Rivers, Alaska
Biatnik	Henderson	Robison
Boland	Horton	Rodino
Boiling	Howard	Rogers, Fla.
Brademas	Hull	Rogers, Tex.
Brooks	Hungate	Ronan
Brown, Calif.	Huot	Roncallo
Broyhill, Va.	Ichord	Rooney, N.Y.
Burke	Irwin	Rooney, Pa.
Burleson	Jacobs	Rosenthal
Burton, Calif.	Jarman	Rostenkowski
Byrne, Pa.	Jennings	Roush
Cabell	Joelson	Roybal
Cahill	Johnson, Calif.	Ryan
Callan	Johnson, Pa.	Satterfield
Cameron	Jonas	St Germain
Carter	Jones, Ala.	St. Onge
Casey	Jones, Mo.	Saylor
Chelf	Karsten	Scheuer
Clark	Karth	Schisler
Cleveland	Kastenmeier	Schmidhauser
Clevenger	Kee	Schweiker
Cohelan	Kelly	Secrest
Conable	King, Calif.	Seiden
Conte	King, Utah	Shipley
Conyers	Kirwan	Shriver
Cooley	Kornegay	Sickles
Craley	Krebs	Sisk
Culver	Leggett	Slack
Cunningham	Lennon	Smith, Iowa
Curtin	Long, La.	Smith, Va.
Daddario	Long, Md.	Stafford
Daniels	Love	Staggers
Davis, Ga.	McCarthy	Stalbaum
de la Garza	McDade	Stephens
Delaney	McDowell	Stratton
Dent	McFall	Stubblefield
Denton	McGrath	Sullivan
Dingell	McMillan	Sweeney
Donohue	McVicker	Taylor
Dorn	Machen	Tenzer
Dow	Mackay	Todd
Dulski	Mackie	Trimble
Dyal	Madden	Tuck
Edmondson	Mahon	Tunney
Evans, Colo.	Marsh	Tupper
Everett	Mathias	Tuten
Evins, Tenn.	Matsunaga	Udall
Farbstein	Matthews	Ullman
Fascell	May	Van Deerlin
Feighan	Meeds	Vanik
Fisher	Miller	Vigorito
Flood	Mills	Vivian
Flynt	Minish	Waggonner
Fogarty	Mink	Walker, N. Mex.
Foley	Mize	Watts
Ford,	Moorhead	Weltner
William D.	Morgan	Whalley
Fountain	Morris	White, Idaho
Fraser	Morrison	White, Tex.
Friedel	Moss	Whitener
Fulton, Pa.	Multer	Whitten
Fulton, Tenn.	Murphy, Ill.	Widnall
Fuqua	Murphy, N.Y.	Williams
Gallagher	Murray	Willis
Garmatz	Natcher	Wolff
Gathings	Nedzi	Wright
Gettys	O'Hara, Mich.	Yates
Glaimo	O'Konski	Young
Gibbons	Olson, Minn.	Zablocki
Gilbert	O'Neal, Ga.	
Gilligan	O'Neill, Mass.	

NAYS—70

Adair	Dwyer	Michel
Arends	Edwards, Ala.	Moore
Ashbrook	Erlenborn	Morse
Bates	Findley	Mosher
Betts	Gross	Neisen
Bow	Grover	Pelly
Bray	Gurney	Poff
Broyhill, N.C.	Hall	Quillen
Buchanan	Hansen, Idaho	Reid, Ill.
Byrnes, Wis.	Harvey, Mich.	Roudebush
Carey	Hutchinson	Rumsfeld
Cederberg	Keith	Schneebeli
Chamberlain	King, N.Y.	Skubitz
Clancy	Kunkel	Smith, Calif.
Coiller	Laird	Smith, N.Y.
Cramer	Langen	Stanton
Curtis	Latta	Talcott
Dague	Lipscomb	Thomson, Wis.
Davis, Wis.	McClory	Walker, Miss.
Derwinski	McCulloch	Watkins
Devine	Macdonald	Watson
Dickinson	MacGregor	Wydlar
Dole	Martin, Ala.	
Duncan, Tenn.	Martin, Nebr.	

NOT VOTING—83

Abbitt	Farnum	O'Brien
Anderson, Ill.	Fino	O'Hara, Ill.
Andrews,	Ford, Gerald R.	Olsen, Mont.
George W.	Frelinghuysen	Patman
Ayres	Goodell	Reinecke
Barrett	Gubser	Resnick
Boggs	Haileck	Rhodes, Ariz.
Bolton	Harris	Rivers, S.C.
Bonner	Harsha	Roberts
Brock	Hawkins	Rogers, Colo.
Broomfield	Hébert	Roosevelt
Burton, Utah	Herlong	Scott
Callaway	Hicks	Senner
Celler	Holifield	Sikes
Clausen,	Holland	Springer
Don H.	Hosmer	Steed
Clawson, Del.	Johnson, Okla.	Teague, Calif.
Coimer	Keogh	Teague, Tex.
Corbett	Kluczynski	Thomas
Corman	Landrum	Thompson, N.J.
Dawson	Lindsay	Thompson, Tex.
Diggs	McEwen	Toll
Dowdy	Mailliard	Utt
Downing	Martin, Mass.	Wilson, Bob
Duncan, Oreg.	Minshall	Wilson,
Edwards, Calif.	Moeller	Charles H.
Ellsworth	Monagan	Wyatt
Fallon	Morton	Younger
Farnsley	Nix	

So the previous question was ordered.

Mr. CARTER changed his vote from "yea" to "nay."

Mr. MIZE changed his vote from "nay" to "yea."

Mr. CONABLE changed his vote from "nay" to "yea."

Mr. GRIFFIN changed his vote from "nay" to "yea."

The result of the vote was announced as above recorded.

The doors were opened.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

RURAL WATER AND SANITATION FACILITIES

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 10232) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development

planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from North Carolina.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 10232), with Mr. DANIELS in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from North Carolina [Mr. COOLEY] will be recognized for 1 hour and the gentleman from Indiana [Mr. HARVEY] will be recognized for 1 hour.

The chair recognizes the gentleman from North Carolina.

Mr. COOLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. POAGE] who is chairman of the subcommittee which handled and reported out the bill.

Mr. POAGE. Mr. Chairman, it will be my purpose, as soon as we get back in the House, to ask unanimous consent that all Members may extend their remarks at this point in the RECORD. I do that in the hope that we may expedite the consideration of this legislation because I know there are many Members who will want to speak in favor of it. We want them to do so, but we do not want to detain the House. Consequently, I am only going to review what we have to offer in this bill and how it came before us.

For a long time we have had a program of loans by the Farmers Home Administration to water facilities in rural areas. The program has not had very much money, and it has needed, from time to time, as usual, increased appropriations or authorizations for the Farmers Home Administration.

Last year the House passed a bill to increase the authority of the Farmers Home Administration to guarantee loans from \$200 to \$450 million. The other body did not do anything with that bill.

This year, on the 16th of March, the House passed a similar bill. The other body has not done anything with that bill.

There was introduced in the other body another bill which does what these House bills did and some more. Finally, the other body did pass a bill which included authority to guarantee additional loans, word for word as the House has passed it, and provided additional lending authority to the Farmers Home Administration to make grants for rural water facilities. There were several similar bills introduced in the House. Our colleague, Mr. BANDSTRA, of Iowa, introduced a very comprehensive bill.

The Senate bill came to our committee, and we decided to improve it. We enlarged the scope of the Senate bill and make it conform to the programs which are now in effect for our urban areas.

To do this we provided that the Farmers Home Administration may make loans or grants—grants up to 50 percent—for aid to nonprofit public organizations for both water and waste disposal systems. Exactly that authority exists now for the Housing and Home Finance Agency in regard to the larger cities of this country.

All we have done is to extend to the rural areas and to corporate areas of up to 5,500 this same authority. The reason we took the upper figure of 5,500 was because that is the lower limit at which the Housing and Home Finance Agency makes this type of loans and grants.

So we will have no gap from the most distant point up at the head of the creek to the top of the Empire State Building, we have tried to provide a program for the same kind of help to the country village which is available to the largest city. We believe this is fair, this is right, and this is treating all sections of America alike.

We hope the House will agree that we should extend to every citizen of the United States, regardless of where he lives, the same opportunity to borrow money and to receive grants under the same types of conditions and at the same rates. That is exactly what this bill will do. That is the extent of the bill.

I have no desire to trespass on the time of the House.

I, therefore, yield back the balance of my time.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Iowa.

Mr. GROSS. Wherein does this garbage provision differ from that in S. 306, on which we just adopted a rule?

Mr. POAGE. S. 306 relates to solid waste. This does not involve solid waste.

Mr. GROSS. What is the difference between some of the waste to be disposed of under this bill and the waste to be disposed of under the other? Is it because one involves interstate commerce?

Mr. POAGE. No. The difference is that under our bill we recognize that particularly in rural areas the water used is from shallow wells or surface reservoirs. Practically every bit of water for the rural systems comes from either one or the other of these sources. When there is not an adequate waste disposal system it jeopardizes the health of every customer of the water system. In order to try to protect the health of the American people we have provided that along with the water system we will attempt to provide a safe and sanitary waste disposal system.

Mr. HECHLER. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from West Virginia.

Mr. HECHLER. Mr. Chairman, I strongly support H.R. 10232. I believe that the gentleman from Texas [Mr. POAGE] has advanced some convincing arguments in support of this legislation. I believe that this bill will unlock many new opportunities for rural America, and I certainly hope that the more liberal terms of the House bill may prevail as

the bill moves along toward final passage. In fact, if more restrictive terms of the legislation should prevail, West Virginia would be deprived of benefits under the bill and I am certain that vast sections of the rural areas of the Nation would find themselves in the same predicament.

The 1960 census in the State of West Virginia reveals that 55.3 percent of our population is composed of nonfarm rural residents. These rural communities are now undernourished and need broader opportunities to solve their urgent community problems. I believe that the Farmers Home Administration can help provide these opportunities.

I think that the greatest problem hindering full community growth in West Virginia's rural communities is the lack of a good water supply. I would estimate that there are at least 700 rural communities in West Virginia that lack adequate water supplies, and there are many other small villages where their water systems need repairs and extensions.

The attempts which have been made to bring adequate and safe water supplies to our rural communities have proven complex and expensive. Many of our streams are polluted by chemicals, human and industrial wastes, and acid mine drainage. Frequently, it is impossible for a small community to pay for the sophisticated equipment necessary to develop pure water supplies.

Often it is not expedient to drill wells inland because the land has been so completely destroyed it is virtually impossible to find water of usable quality. But when a safe well is drilled, the water must be pumped from 300 to 500 feet up bluffs and over mountains. This is an expensive process. Not a week goes by without our receiving letters from villagers who seek to have water lines extended over the hill to their homes.

However, this cannot be done without a program of grants as provided in H.R. 10232 to supplement loans, because many people in our villages are too poor to pay the cost.

In West Virginia, we must find streams away from polluted areas. Somewhere along these streams we must build reservoirs along with treatment plants to remove dirt and pollution from the water. These water storage centers would sell water to nearby communities without water. Projects like this are held up because our communities cannot finance such systems.

In situations like this, grants would be well justified to help rural communities overcome the initial expense of developing a safe and reliable water supply. What single step could be more worthwhile to get a lagging rural community off dead center than to create a modern system and liberate that area from old, never-ending struggling for water?

West Virginia's problem is but typical of all rural America. Last fiscal year, the \$200 million loan insurance authority of the Farmers Home Administration was not half enough. From coast to coast, some 30,000 smaller towns and rural neighborhoods are still without

modern water systems. Already about 1,500 good and worthwhile applications are being held by that agency. Next year, ever-increasing hundreds of new applications will be added to this carry-over.

Another program that would be enlarged by H.R. 10232 is the development of recreation areas to forestall disaster and rebuild prosperity in the great rural segment of our society. I can point to Mountain Top Vacationland in West Virginia and many other fine recreational complexes to show how the transfer of land to recreational use has proved a dynamic program to strengthen rural community life, increase the attractiveness of rural towns as sites for industrial development, and cast a new light on the rural hometown as a place for the young family to seek the good and prosperous life.

H.R. 10232 will bring these programs and the family farm ownership program up from the level of "half enough," more nearly to the point of sufficiency, by raising the overall insured lending authority to a more realistic ceiling of \$450 million, the limit of a single loan to \$4 million, the population of a rural area served to 5,500, and authorizing grants aggregating \$50 million a year.

I wholeheartedly support and urge the passage of H.R. 10232 retaining these essential improvements.

(Mr. HECHLER asked and was given permission to revise and extend his remarks.)

Mr. CEDERBERG. Mr. Chairman, will the gentleman yield?

Mr. POAGE. I yield to the gentleman from Michigan.

Mr. CEDERBERG. I share the gentleman's concern that the rural people should be treated just like the others, and I want to support the bill. I do have this question, however, on the matter of duplication. In our Committee on Appropriations, the Subcommittee on the Department of Commerce, we are holding hearings on funds for the Economic Development Administration and the Regional Development Administration. The EDA takes over from the ARA. Will we get into a duplication here? If a community or county qualifies under either EDA or RDA, does it also qualify under this? Where will an individual township organization go to that needs a loan or a grant for water facilities? Can it come to this group if it qualifies under EDA or RDA? I am getting a little confused because we have so many of these organizations.

Mr. POAGE. I can only speak of those organizations over which our committee has jurisdiction. REA cannot make any loan of this kind.

Mr. CEDERBERG. Why not? RDA?

Mr. POAGE. You are not speaking of REA? The Rural Electrification Administration?

Mr. CEDERBERG. No. RDA.

Mr. POAGE. I beg your pardon. I am speaking of REA.

Mr. CEDERBERG. The Regional Development Administration.

Mr. POAGE. I would not want to suggest to the gentleman what any of these emergency or regional or special

groups can do, because this does not involve one of those special groups but a regular agency of the U.S. Government. Farmers Home Administration does, under this bill, acquire jurisdiction up to and only up to the point at which the Housing and Home Finance Administration is making loans today; that is, we are told, \$5,500. We only go up to that point, and there is no duplication there.

Mr. COOLEY. Mr. Chairman, I yield such time as he may desire to the gentleman from Missouri [Mr. HULL].

(Mr. HULL asked and was given permission to revise and extend his remarks.)

Mr. HULL. Mr. Chairman, I am in strong support of H.R. 10232.

Mr. Chairman, on the strength of a great record by the Farmers Home Administration in its service to my home State and district of Missouri, I have the fullest confidence in what will be done to put new strength into the farmlands and towns of rural America when we pass the new authorizations provided for in this bill (H.R. 10232).

The whole position of Missouri, the great agricultural region of northwest Missouri which I represent, might be drastically borne down with trouble if it were not for the resources we have been able to use and build upon, through farm ownership credit supplied or endorsed by the Farmers Home Administration.

Nearly 8,000 Missouri farms have been saved for family ownership through this one program of Farmers Home and its predecessor agencies.

These loans have totaled some \$90 million.

As a measure of the soundness of doing business with rural Missourians, the balance sheet shows that about \$62,000 has had to be written off, as against interest collections totaling more than \$16½ million.

Presently our State leads the Nation in use of credit through the Farmers Home Administration for family farm ownership and new rural homes.

The great bulk of the loans made for farm ownership in Missouri not only are insured private loans, but they are made by Missouri banks, with which Farmers Home has established a fine working relationship.

These and other programs of the Farmers Home Administration resulted in loans in Missouri totaling over \$35 million last fiscal year. Families served totaled more than 10,000. The present staff of the Farmers Home Administration has been able to double the number of families served in our State in the past 5 years.

And in spite of recent hardship from drought or flood in many parts of the State, collections of loan installments due by the close of the fiscal year were 99.7 percent on time.

By no distortion or stretch of imagination can anyone fault that record of what has been accomplished with the resources at hand.

But there is a need for the broader authority provided in this bill.

On July 31, nearly 900 Missouri farm families were waiting for action on farm ownership loans, and nearly 800 for ac-

tion on their applications for rural housing loans. That backlog represented more farm ownership loans, and nearly as many housing loans, as were made in all the last fiscal year. It was a backlog built up due to insufficient authority to meet the need. Allocations for fiscal 1965 were exhausted in April.

Missouri also provides prime examples of the benefits arising from rural community improvements through Farmers Home Administration financing, and also the great need for acceleration of this program.

Twenty-nine community water system loans were approved in Missouri last year; but rural water development has been moving less than half as fast as it might. In fiscal 1965, applications sufficient to use up the entire fiscal year's authority of the Farmers Home Administration were on hand after 6 months.

At present 115 rural community water system projects are in process of formation throughout the State. Whether these additional communities can proceed when they are ready depends in large measure on the passage of this legislation.

Mr. Chairman, possibly the greatest single public concern at the State level in Missouri and all the States with large rural areas is to check the decline that has plagued so many of our rural towns and counties in recent decades.

We hardly need be told that safe and dependable water may mean the difference between prosperity and failure on the farm, or the difference between progress and decline in the rural town.

This will be demonstrated again in my own district when service begins in about 30 days from the new system of Public Water Supply District No. 3 in Platte County, Mo. This is one of the many rural water districts that have been organized under Missouri law, this one by 115 families who have never had central water service. Water will be piped house-to-house and farm-to-farm. The people on this rural system will have the same assurance of constant, pure water at the turn of a tap as the people in "St. Joe." And the families and businesses served along this new rural system will pay every dime of the cost, by retiring the loan from proceeds of their monthly water bills. The cost of service will be within the range that every family in the district can afford.

What this system means to the people who have built it—what the system either installed or contemplated in scores of other northwest Missouri communities will mean—is that these rural people have finally arrived at 20th-century standards in one of the vital utility services for homes, schools, churches, businesses, and industry.

Highways and electric lights were only part of the modernization long overdue in thousands of rural areas. Any community labors under a disadvantage which is indefensible in America if it cannot supply its people and offer new residents or new industry the basic facilities of clean and constant water, modern sewer facilities, and other fundamental advantages of the modern American community—including the self-

supporting community recreation centers, converted from surplus cropland, further provided for in this bill.

Mr. Chairman, I commend the distinguished gentleman from Texas and his colleagues on this bill. It is one of the soundest and most constructive measures for progress in rural communities, farming areas that I have had the privilege to vote for in the Congress.

Mr. COOLEY. Mr. Chairman, I yield 2 minutes to the gentleman from Arkansas [Mr. GATHINGS].

Mr. GATHINGS. Mr. Chairman, the authority for additional funds for the Farmers Home Administration to make insured loans is long overdue. These funds are urgently needed. I voted against this legislation in the subcommittee and in the full committee for the reason that it had been amended over here to include waste sewage disposal systems. I talked with a Member from the other body who stated he had talked with the President and was advised that the bill would be vetoed if it is put on his desk as amended by the House to include sewage disposal systems. So I opposed the legislation on that account. The legislation is badly needed for both water supply and waste disposal in rural America.

Mr. ALBERT. Mr. Chairman, will the gentleman yield?

Mr. GATHINGS. I yield to the gentleman from Oklahoma, the majority leader.

Mr. ALBERT. It is my understanding, and I think I am correct in this understanding, that the administration, including the President, supports this bill.

Mr. GATHINGS. I thank the gentleman. I was under the impression that he would veto the legislation. So I opposed it both in the subcommittee and in the full committee. I am glad to get your assurance that the bill containing both water and sewage disposal systems would be approved by the President.

You want to know what you are doing here. This is the effect of it: you are providing an absolute grant up to 50 percent of the total cost of a waterworks system and sewage in towns under 5,500 in population and we are providing \$50 million in authorization. That is all. I want to say to you that that \$50 million is pretty skimpy and will not go very far.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. GATHINGS. I yield to the chairman of our committee.

Mr. COOLEY. Have we not been doing just about the same thing in larger cities for many years? This is so as to help some of the small communities in this country.

The GATHINGS. Yes. I am in agreement that these rural communities have been denied those services in legislation previously passed by Congress. The \$50 million ceiling is entirely inadequate.

Mr. COOLEY. I agree with the gentleman that it is probably inadequate, but that is only in one fiscal year. It is \$50 million only in one fiscal year.

Mr. GATHINGS. That is true. It is for one fiscal year, but the applications

will be pouring in and you will find probably in the State of North Carolina we will have applications for more than \$50 million. The ceiling should be raised appreciably—I support the legislation and hope the House will approve the bill as brought to the floor from the Committee on Agriculture. I felt that if we were to include sewage and get a veto we had better take the Senate bill which would limit waterworks at least and bring in a bill for sewage when we were certain it could be enacted.

Mr. COOLEY. Mr. Chairman, I yield such time as he may require to the gentleman from Texas [Mr. CASEY].

Mr. CASEY. Mr. Chairman, as I understand, this bill will cover unincorporated areas or any incorporated areas or towns that do not exceed 5,500; is that correct?

Mr. COOLEY. That is correct.

Mr. CASEY. It will cover all the unincorporated areas?

Mr. COOLEY. Yes.

Mr. CASEY. I thank the gentleman.

Mr. HARVEY of Indiana. Mr. Chairman, I yield myself such time as I may require.

Mr. Chairman, permit me to say first of all that I think it is rather unfortunate in the discussion on the rule on this bill that the impression was left with some of the Members that the House Committee on Agriculture had something to do with approving a waiver of points of order in the rule. As a matter of fact we did not. I want to make it plain to all the Members that so far as that waiver was concerned, it was not requested by the committee.

Mr. Chairman, I rise in support of H.R. 10232. The purpose of this bill is twofold.

First. It would establish a program for Federal assistance to rural communities of 5,500 persons or less for the development and construction of water and sewer facilities.

Second. It would reenact the provisions of H.R. 5075, a bill passed by the House earlier this year, increasing the Farmers Home Administration's insured loan fund from \$200 million to \$450 million and making several other changes in the FHA law. These changes are set forth at page 5 of the committee report.

HISTORY OF BILL

After the House passed H.R. 5075, the other body incorporated it into S. 1766, a bill introduced by the distinguished senior Senator from Vermont and cosponsored by some 92 other Members of the other body.

S. 1766, as it passed the Senate, also included provisions for the establishment of a program to assist local rural communities develop and maintain water facilities.

The bill was then referred to the Committee on Agriculture and to the Subcommittee on Conservation and Credit of which I serve as the ranking minority member. The subcommittee then conducted further hearings and after thorough consideration made several changes which are reflected in H.R. 10232.

These changes include the following: The committee bill includes waste dis-

posal systems. The Senate bill dealt only with water systems.

The committee bill increases the annual matching grant authority from \$25 million to \$50 million.

The committee bill defines rural communities as those with 5,500 persons or less. The other body had defined these communities as those with 5,000 or less. This change was made in order to bring this program into line with our various urban renewal programs.

Another change made by the committee bill is to allow loans or grants to certain nonprofit associations serving rural communities. S. 1766 had limited this authority to governmental units.

The committee bill also contains a provision which is designed to place the maximum emphasis on local cooperation and participation. We have all heard of many instances in the administration's poverty program where local units of government were bypassed by the poverty planners in Washington. A number of activities have been reported where local officials did not even know of the proposed poverty plans. H.R. 10232 seeks to avoid this situation by requiring the Secretary to give adequate notice to local officials and to permit them, within a specified time, to submit their views on a proposed water or sewerage project. This, together with the 50-50 matching requirement, should give local officials an influential voice in the management of their own local affairs.

Finally, the committee bill also requires that when there are competing requests for this Federal assistance from associations and local governmental units, the local governmental unit shall, in the absence of strong evidence to the contrary, receive preference. This, again, was done to maximize local governmental participation.

NEED FOR WATER

Let me point out, too, that this legislation is of immediate importance this very day to many small communities which are experiencing severe problems in the acquisition of sufficient water.

There can be no question that in the years ahead the efficient use of water will be of greater and greater importance. This bill represents an effective step toward using—and I might add—reusing our water resources.

There is not any more water around today than there was a million years ago, and there will never be any more created. We have a population that is growing rapidly, and we must learn how to better use and share this invaluable resource. H.R. 10232 establishes a system which will, in my opinion, help meet the pressing water problem.

NEED FOR BIPARTISAN SUPPORT

Yes, Mr. Chairman, this bill has been thoroughly and carefully considered. It has overwhelming bipartisan support, both in the House and in the other body. I would hope that in view of the fact that this legislation was born in an atmosphere of bipartisanship, it would mature and grow in that same environment.

There will, no doubt, be many requests from rural communities throughout the

Nation for the benefits provided by this bill. Let us hope that in approving the several projects, the administration will consider each of them solely on their merits and not on the basis of the political affiliation of the incumbent Member of the House or the Senate.

In summary, Mr. Chairman, this is a good bill, it deserves the support of the House, and it deserves careful and fair administration by the Department of Agriculture.

The gentleman from Ohio asked me to yield for a question, and I am glad to yield to him at this time.

Mr. LATTA. I thank the gentleman for yielding. I should like to ask this question as a matter of legislative history. It is not the intent and purpose of this bill to include the collection of garbage under this bill; is that true?

Mr. HARVEY of Indiana. The intent of this bill has to do with sewage disposal. This deals, let me say, with provision for water supply in small rural communities. In many instances from my own observation—and I am going to assume part of the responsibility for this provision in the bill—there are a great many rural communities where they have installed water supply systems but have made no provisions for sewage disposal of any kind. I think that is a mistake. For us, a division of the Federal Government, to encourage any community to put in a water supply system without at the same time making provision for disposal of this waste is a mistake.

Mr. LATTA. Mr. Chairman, what caused me to raise this question was the language on page 2, line 15 where it says: "treatment, or disposal of waste."

Mr. HARVEY of Indiana. I am very happy that the gentleman raised the question. As a matter of legislative history I think it is a splendid opportunity to correct that misapprehension.

Mr. LATTA. With that legislative history and the understanding that collection of garbage is not included, I could support the bill.

Mr. HARVEY of Indiana. I do not want to take too much time of the Committee this afternoon. I am going to revise and extend my remarks. The chairman of this subcommittee, the gentleman from Texas [Mr. POAGE], gave a very accurate and thorough discussion of the provisions of the bill. As he indicated, it is a twofold type of bill. It has a provision for increasing the loan authority of the Farmers Home Administration and then it has a provision for water supply systems for rural communities.

Let me say at this point, so far as I know, this bill could have no possible application in my community, in my district, and possibly not even in my State. I think it is important that we make this clear, Mr. Chairman, however. There are certain areas and communities, certain rural parts of this country where a person cannot economically establish an adequate water supply system, and neither can a small community.

But they can collectively do such a project and do it not only with success but in many cases many of our rural

areas suffer loss of population and the drifting of the people from the rural communities into larger ones comes about because they do not have in these communities adequate facilities to make life there and a standard of living worthy of their residents there.

So, Mr. Chairman, I commend to the Members of the Committee this legislation. I believe it has a great deal of merit.

Mr. Chairman, the question has been raised that there is not much money proportionately in it. I say to the Members of the Committee that I do not know how widely used the facilities provided for under this bill may become and, certainly, being a very conservative individual, I do not want to get it off on too large a footing.

Mr. HALL. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Missouri.

Mr. HALL. Mr. Chairman, I appreciate the gentleman yielding, and I would like to associate myself with what the gentleman has said.

I rise in strong support of this bill because I think it fills a gap that we have long needed to be filled through an agency that is making a 100-percent commission on its loans in the State of Missouri.

Do I understand that there is a 50-percent limitation on any one sanitary or water system, as per line 17 on page 2 of the bill?

Mr. HARVEY of Indiana. Yes; that is correct.

Mr. HALL. Does this apply to individuals as well as to communities?

Mr. HARVEY of Indiana. Yes, it conceivably can, although it is very difficult for me to see how in any instance it could really apply to an individual.

Mr. HALL. If the gentleman will yield further, I was a little bit concerned about a remark which was made by the gentleman from Indiana, a distinguished member of the Agriculture Committee, when he said he could not conceive of it applying to anyone in his district.

I can think of many rural people who live in rural communities and who farm lands lying around there where they might have individual disposal systems that meet the requirements of the regulations hereunder as to sanitary disposal of waste and had a centralized urban community water system approved by the State health department in a community of less than 5,500 population.

Could the gentleman conceive of this, and each one pay his own way with the 50-percent subsidy?

Mr. HARVEY of Indiana. I believe it is conceivable, yes.

Mr. HALL. If the gentleman will yield further, is that the intent of the bill, I will ask the gentleman?

Mr. HARVEY of Indiana. Possibly I did not thoroughly understand the question. Would the gentleman restate his question please?

Mr. HALL. Let me try to summarize it and restate it: Could an individual participate in the waste disposal portion and get a 50-percent subsidy in a less than 5,500 community water system?

Mr. HARVEY of Indiana. I would think not; that is, it is my concept that at least in granting a water supply system the committee has made provision that no water supply system grant shall be made or loan shall be made that does not also include a provision for sewage disposal.

Mr. HALL. But if it met the requirements of the implementing legislation, the question is, Could the individual farmer participate and have the 50-percent matching fund or subsidy?

Mr. HARVEY of Indiana. Yes.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Texas.

Mr. POAGE. There is no provision in this bill to lend them money or to make grants to individuals. There is authority to establish individual units if the governmental agency running the organization decides that that is the cheapest way of providing the facilities.

In other words, under the RDA at the present time there is authority to go out on some ranches and in some parts of the West—and it is done where the REA itself establishes a rural telephone system on a ranch and pays for it and charges that individual a monthly rate for the system that is on his own place, but puts it in as a part of the whole system—under this they can do the same thing. If they find an individual is too far away from the central system to make it practical to lay pipes to him, they can go out and drill a well for one house, two houses or three houses, for instance.

It is all a part of the system. The system will charge rates all over the whole system that will pay for all of them, and each individual will pay, and the repayment to the United States will not be by the individual but will be by a cooperative or governmental agency that gets the loan, and any grants made will be to the governmental agency or the cooperatives as a whole, and not to an individual.

Mr. HALL. I thank the gentleman.

Mr. DOLE. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Kansas.

Mr. DOLE. I think it is well to point out one of the key provisions of this bill was taken care of earlier this year. It passed the House in March without a dissenting vote. In that bill we increased the lending authority from \$200 million to \$250 million. That went to the Senate, and the Senate tacked on the water provision. It came back to the House and that is when we get into a question of sewage facilities.

Mr. Chairman, I rise in support of H.R. 10232. This legislation could assist in opening up a new and better life for untold thousands of people in the State of Kansas and throughout America.

There is an old saying:

Men learn the price of water when the well runs dry.

Many in Kansas have found this statement to be true, and the price is mighty high. According to the testimony offered by USDA witnesses, there are still about

30,000 rural towns without central water systems.

Because this situation can be corrected with a broader base under the U.S. Department of Agriculture's water loan program, I support this legislation to increase the loan authority to \$450 million for rural improvement facilities and farm ownership. I would remind my colleagues that a similar measure passed the House earlier this year, on March 16, without a dissenting vote.

As the provider of a fundamental resource—ample, clean water supplies—the loans, if prudently made, can stimulate local business and help raise the level of family living. There are many examples of how this program has helped turn the tide in Kansas, but the need can be multiplied a hundredfold when the total number of rural communities across the country is taken into consideration. There are a number of communities in my own district sorely in need of increasing their water supply and improving their water facilities.

One shortcoming of the credit service of the Department is that the waiting line of individual farmers and rural communities is too long. Another shortcoming is that the Department's authority to insure loans is limited to \$200 million.

The situation is acute. Funds for these projects in the past year were exhausted when only a portion of the application had been filled.

In Kansas alone, an estimated \$9 million would be needed this fiscal year to meet the demand and this estimate does not include the improvements in the rural community facility loans that would evolve from the passage of H.R. 10232.

It may be of interest to my colleagues to learn how extensively the present program is being utilized in western Kansas.

In a number of instances, the loans have been approved, the projects completed, and water is now being delivered. Some examples are:

Weskan District in Wallace County, serving 230 rural residents, and the loan was \$57,000.

Antonino District in Ellis County, serving 200 rural residents, and the loan was \$40,000.

District No. 2 in Ellis County, serving 75 rural residents, and the loans was \$18,450.

District No. 1 in Reno County, serving a rural area adjacent to Hutchinson of 105 users, and the loan was \$18,600.

Examples where loans have been tentatively approved are:

Stockton in Rooks County, serving farmers between Woodston and Stockton—about 250—and the loan application is \$81,500.

Falun Rural District in Saline County, serving 155, and the loan application is \$37,800.

Pilot Knob in Harper County, serving an area at the edge of the city of Harper and other rural residents, and the loan application is \$52,000.

The present law also provides for association loans and, of course, one requisite for completing many of the applications now pending is additional funds. A few

examples of Kansas applications now pending are:

Barber County Water Association in Barber County, and the application is \$25,000.

Rural Water District Loba Creek in Mitchell County, and the application is \$75,000.

Rooks County Water Association in Rooks County, and the application is \$60,000.

To limit assistance for the development of water systems and waste disposal facilities to communities of 2,500 population or less—which is true of the program now administered by an agency of the Department of Agriculture—is to exclude many hundreds of larger communities, essentially rural in character, and in desperate need of these services. H.R. 10232 would enable loans to be made to rural communities having populations of 5,500 or less.

There is no denying the fact that our country has become predominantly urban in its character, but rural America should not be forgotten.

This bill will not provide all the answers, but the measures provided by H.R. 10232 would be a major step in the right direction.

I strongly urge favorable consideration of the proposed legislation.

Mr. SKUBITZ. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Kansas.

Mr. SKUBITZ. Mr. Chairman, I rise in support of H.R. 10232.

Last July I introduced a similar bill—a bill that would increase the loan authorization of the Farmers Home Administration from \$200 to \$450 million for the purpose of financing rural water systems. It also gave to the Secretary of Agriculture the authority to make grants up to \$25 million to finance storage, treatment, and purification facilities.

The bill before us today has an added feature. It provides grants for the construction of sewage systems as well as water, and it raises the grant authorized from 40 to 50 percent in order to bring such grants in line with those made in urban areas.

Mr. Chairman, when I introduced my bill, I pointed out that some 30 years ago the Congress of the United States passed and the President signed a bill which created the Rural Electrification Administration. At that time 9 out of every 10 farmers in the Nation were without electricity to light their homes and to provide power to operate their equipment. Today 5,400,000 farmers have been provided electricity at a reasonable rate, thanks to the rural electrification program.

But more must be done if rural America is to survive, Federal assistance must be provided to provide adequate water facilities.

The need for this type of legislation is overwhelming. Rural water use, excluding irrigation, has more than doubled in the past 5 years. Thousands of small rural communities are withering on the vine because they lack water. Without a central water system, without a waste

disposal system—no community can hope to attract industries or encourage others to settle in them.

Statistics show that 30,000 communities with populations of less than 5,000 do not have an adequate water supply. There are 600 such communities in the State of Kansas. In my own congressional district there are 125 towns that would be eligible for assistance should this measure be enacted into law.

In my lifetime I have seen at least a dozen small rural communities slowly wither and die largely because they lacked basic community facilities. But happily, I have seen other rural communities in my district—seemingly doomed to a slow death—suddenly revived by the installation of a community water system and then prosper and grow. In every instance, these little rural towns were saved by a loan from the Farmers Home Administration which made it possible to construct a water system.

Back in 1951, Tom Reagan, county FHA supervisor in my home county, and Ralph Johnson, State engineer for Farmers Home Administration, met with 76 farmers and residents from the little village of Chicopee, Kans. These two men explained how the community could get a loan to build their own water supply system. The group formed the nonprofit Chicopee Cooperative Water Corp.

A few skeptics said that since the town had no future, they predicted that the water system would fail because there would be less than 10 water users left in town within a decade. But the community got a \$27,000 loan from Farmers Home Administration and installed the system. Today, 14 years later, there are 109 water users. New houses have been built, many others have been remodeled. Bathrooms and modern kitchens have been added. Houses and property values have tripled. Not one building lot is up for delinquent taxes.

And the community continues to grow. A church, public school and three business firms get water from the system. Natural gas came to town in 1962. A new country club has been built with an 18-hole golf course nearby also served by the water system.

My good friend, Francis Flynn, now president of the Chicopee Water Corporation Board of Directors, said:

This water system, financed by the Farmers Home Administration, has saved our little town. Without it, we would have surely died. What's more, we will soon have our loan paid off—far ahead of schedule and then we can cut the water bills in half.

Mr. Chairman, what the Farmers Home Administration water system loan program has done for Chicopee can be done for every little rural community in America. And it should be done.

We are presently supplying funds for water and sewage facilities for our urban dwellers through the Community Facilities Administration. It seems only fair and equitable that the same opportunity be provided for our small rural areas. Many of our senior citizens who now live in such communities are forced to leave because of inadequate sewage and water facilities. They are forced to take up residence in larger communities where

living costs and taxes are much higher. Most of them would sooner stay in the smaller towns because of their limited incomes. Attractive rural communities bring people back to them. Business will follow—new opportunities for our young people will be created.

I have letters in my file from Mulberry and Galena, Kans., once prosperous mining communities, and Helper, Kans., where Jess and I started our lives together—all asking me to assist them secure funds to develop water facilities.

Mr. Chairman, the health and welfare of these rural citizens is just as important to our national interest as the welfare of our city dwellers who cry for larger dams and bigger reservoirs to take care of their water requirements.

This is no rural welfare program. This is basically a loan program. It is the soundest investment we can make for that part of America where there is great potential for new economic expansion if only these communities are given a chance to construct basic community facilities.

I hope Congress will give them this chance by passing this legislation.

Mr. ANDREWS of North Dakota. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from North Dakota.

Mr. ANDREWS of North Dakota. Mr. Chairman, I appreciate this opportunity to speak in support of the measures contained in H.R. 10232, which is very similar to my bill, H.R. 8234, because North Dakota is united as never before in demanding substantially better farm income and improved opportunities for growth in our rural communities.

The rising cost of farm operations and the necessity for more efficient management makes it necessary for more adequate low-cost credit for family farmers.

The Farmers Home Administration's present authorization of \$200 million under the insured loan program is completely inadequate. It already has caused too many small family farmers to leave the land. The small farmer who needs to enlarge his acreage to become more efficient or who needs to adjust his farming operation to take advantage of technological and marketing changes is doomed unless he can obtain sufficient credit. The young farmer who wants to get a start in agriculture is shut out because of lack of credit.

More and more family farmers in North Dakota are being driven into competition for jobs with the unemployed in cities and towns, just like their fellow tillers-of-the-soil across the country. There are fewer farms in North Dakota than at any time since the turn of the century, according to the Federal-State Crop Reporting Service. Families have been quitting farm ownership at a rate of more than 1,000 a year. Among the departures have been many casualties of hardship, defeat, and losses undeserved, suffered by honest and hard-working families simply unable to cope with forces beyond their control.

At least one factor working against this alarming exodus from the farm has been the farm ownership program of the Farmers Home Administration.

More than 4,600 farm families who might otherwise have been forced to leave their farms and seek employment in the cities made use of \$84.5 million since the program started in 1937, to survive financial hardship, get a new start and stay in business.

It is significant to note the division of these loans between the categories "direct" and "insured." Since inception of the program, there have been 1,341 direct loans totaling \$20 million. There have been 3,267 insured loans by private lenders totaling \$64.5 million, since the insured loan program began in 1947.

This fiscal year there has been a need for \$28 million in farm ownership loans through the Farmers Home Administration in North Dakota; but due to limitations on its insured lending authority, the agency has been able to meet only about one-third of that demand.

This trend is expected to continue, for with land market prices steadily increasing from pressures of absentee land investors, with prices of machinery, equipment and facilities rising year after year, the need for more farm credit becomes even greater.

I can see no turnabout at this time. The demand for farm ownership loans far exceed the present authorization all across the country. If the present rate of loan requests continues, the Farmers Home Administration will have more than \$500 million in requests or more than 2½ times the present authorization of \$200 million. This not only denies a well-deserved extension of credit to the farmer, but also curtails a legitimate field of operation by private lending institutions operating in rural communities.

Loss of family farmers from the countryside punches a profound dent into the economy of rural America. Farm ownership borrowers are good customers in our country's small towns. They spend \$254 million a year for the same things that city people buy—food, clothing, drugs, furniture, appliances, and other products and services.

These borrowers spend \$764,678,400 a year for goods and services to produce crops and livestock. Each year the borrower's debt payments and purchases include \$254,892,800 in new farm tractors and other motor vehicles, machinery, and equipment.

Not only does rural America feel the impact of the loss of just a small amount of this business, but also our Nation's total economy is dealt a serious blow.

The provisions of H.R. 10232 to adjust the Farmers Home Administration's insured lending authority upward from \$200 million to \$450 million, is a reasonable and conservative response to the need for these loans as manifest by the great backlog of applications accumulated this fiscal year for farm ownership, rural community facilities, and other eminently worthy purposes.

Another reason for increasing the authority is that more and more communities are now prepared to carry through the type of self-help projects which can only be accomplished with the support of these insured loan funds.

Primarily, I am speaking about the development of community water systems.

A community with good land, good potential, industrial sites and excellent recreational possibilities but without running water is doomed to further decline.

Public funds for public facilities should not stop at the boundary edge of cities but should be available to all rural areas. This is what H.R. 10232 does.

The bill would enable the Farmers Home Administration to advance credit and to share part of the cost when a community is unable to carry the whole burden.

With the new and necessary emphasis to revitalize rural America, to shift land to new uses, to make rural communities more attractive, to raise standards of living and to meet the growing urban demand for more recreation areas, the demand for the type of credit called for in H.R. 10232 is growing by leaps and bounds. I wholeheartedly support and urge the passage of H.R. 10232 as vital to the security of our beautiful countryside.

Mr. STAFFORD. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Vermont.

Mr. STAFFORD. Mr. Chairman, I rise in strongest support of H.R. 10232.

The Northeast has experienced a crisis this year in shortage of water.

Even great cities have discovered they were not immune to drought.

They have undergone the discouragement known all too well to the farmer and small townsman who lives in a precarious dependence on shallow wells, streams and ponds that will fail him, if the weather turns dry for a very long time and denies him rain.

The highest councils of national and State leaders have been convened in an effort to determine how the metropolitan millions of the Northeast can avert another crisis in the next cycle of drought.

This is not an exaggerated show of concern.

Water is the most fundamental necessity. The difficulties this year have underscored how imperative it is that we insure a safe and abundant supply.

Today we are acting on a bill that represents fulfillment of that need in the rural Northeast, and indeed for all rural America.

Across the South and the Middle West, a substantial beginning has been made in the modernization of rural water supplies. This has been done through loans to towns, public water districts and non-profit associations of rural people, these loans made or insured by the Farmers Home Administration.

Congress initiated this program and meant it to be nationwide. Over 800 rural water systems already have resulted from it.

Few, however, in the Northeast.

The reason my State and others with similar problems of rural water supply have yet to benefit from this program is not indifference, nor lack of need.

Rather, in our case, the reason is that present limitations of the Farmers Home lending authority have proved to be insufficient in a situation such as we have in Vermont.

The present authority limits any other rural system to the size and design that can be built for a maximum loan of \$1 million.

These are not feasible limits in Vermont.

We have the difficult problem of striking large reservoirs of water in the limestone substrata that underlies the State.

We need to build larger than \$1 million systems, so that several communities can tap each of the relatively few deep-well sources available.

We may need to move lake water considerable distances, especially in the dairying sections of Vermont.

These requirements can be met under the provisions of this bill, which will enlarge the Farmers Home Administration's insured lending authority and raise the limit on a single water system project loan to \$4 million.

One of the virtues of the rural water program, as developed through the Farmers Home Administration, is that basically these systems are financed on a self-paying basis—loans repaid from earnings of the systems.

Another equally high virtue is that such fine efficiency has been achieved in design, construction, and operation of far-flung rural systems, the cost of service—the monthly water bill—is held within the range of low- and middle-income rural people.

No family should be shut out. Water is so vital a commodity to the health, safety, and economic progress of all our people as to constitute a public necessity.

Vast amounts of public funds have been used in this country to help provide such public facilities for the urban population.

In this bill, a modest and reasonable provision is made for assistance to the rural population—equally in the public interest.

To overcome unusually costly problems of laying pipe through difficult terrain—of building adequate water treatment plants, or reaching out to now sparsely settled areas where the need is great and future growth is possible—this bill provides for grants toward that portion of costs which exceed the norm for rural water system construction and loan financing.

This in no way dilutes the responsibility of the community to finance a project by the insured loan route to the best of its ability, to the fullest extent consistent with the public interest.

Mr. Chairman, this bill has evolved especially through the efforts and wisdom of two men in Congress who have infinite understanding of the character and problems of rural America.

For this service I salute the distinguished gentleman from Texas, BOB POAGE, of the House Agriculture Committee, and the great senior Senator from my own State of Vermont, GEORGE AIKEN, ranking minority member of the Senate Agriculture Committee, whose original concept inspired this bill.

It is unlikely that any bill we can pass in this Congress will contribute more to the relief of burdens now saddled on farm families and rural communities.

The larger part of the total new insured loan authority provided in this bill will be used to secure farm ownership for more families who are struggling against the odds in their efforts to succeed as independent farmers.

The rest of this new authority will support the enterprise and self-reliance of rural communities as they work to supply themselves with water, and other fundamental needs for adequate community standards of living based on soil and water resources.

Without water, without capital, without freedom, the farmer has a hard row to hoe no matter how good his land.

The rural community may be endowed with great traditions, good people, good potential sites for industry and commerce, excellent recreation possibilities; but without water, without credit resources that square with its ability to pay, that community nevertheless will find it hard to hold its people and retain its vitality in the future.

I will vote for this bill with confidence that it will be diligently carried out by the Farmers Home Administration. That agency has a record for sound and creative operation of public credit programs in cooperation with the lending institutions of private enterprise, as called for in this bill.

This is the right plan to fulfill one of the great needs of rural America and thereby strengthen all the Nation.

Mr. CEDERBERG. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Michigan.

Mr. CEDERBERG. I favor the reasons that this bill is brought out, and the objectives desired to be attained. I have a serious question about the duplication of this type of activity that is carried on in other agencies of the Government. In the hearings we went specifically into the question of where these same projects could be financed by other agencies.

Mr. HARVEY of Indiana. Let me say to the gentleman we did not specifically cover that, but it would seem to me very difficult to imagine circumstances where all of the other agencies, with the exception possibly of Appalachia, are directed entirely at urban or semiurban areas. This is directed to rural areas. I cannot believe for that reason there would be duplication. I would likewise say to the gentleman I have no definite proof that could not happen.

Mr. CEDERBERG. The reason I bring this matter up is because we are holding hearings in our Subcommittee on Appropriations for the Department of Commerce request to fund the Economic Development Administration and the Regional Development Administration. In these hearings we have developed the fact that this very type of program is available to these areas. In addition, it is my understanding that under the new Housing and Farm Agency Administration they can do the same thing that is being done under this bill.

As a matter of fact, in our hearings we have requested that the agency let us know all of the other agencies that are involved in water and sewerage specifi-

cally. The gentleman from New York [Mr. ROONEY] mentioned that this is exactly what we have been discussing in our subcommittee. In order to get rid of this confusion, the Bureau of the Budget has even requested a coordinating Committee on Agriculture and Commerce, and the new Urban Affairs Committee, as to whether or not they are involved in the same kind of a program.

Mr. ROONEY of New York. Mr. Chairman, will the distinguished gentleman from Indiana yield?

Mr. HARVEY of Indiana. I yield to the gentleman from New York.

Mr. ROONEY of New York. May I say to the distinguished gentleman from Michigan [Mr. CEDERBERG] that the duplication and the number of agencies engaged in this very same matter of assistance in sewerage construction is appalling. I suggest that the gentleman from Indiana read the Appropriations Committee hearings when they are printed and released.

Mr. HARVEY of Indiana. Mr. Chairman, I call particular attention to the report on this bill, page 2, near the bottom of the page, where it reads as follows:

H.R. 10232 is comparable to but does not duplicate any of the authority of the various statutes and programs designed to provide modern water and sanitation systems for urban areas. On the contrary, it is carefully designed to pick up where those statutes and programs leave off and provide comparable assistance to rural communities.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Michigan. I yield to the gentleman from North Carolina.

Mr. JONAS. I certainly join those who have expressed approval of what we are trying to do here. I think there is as much reason to assist rural communities in providing adequate water supplies and sewage disposal facilities as there is to help urban communities.

But on the question raised by the gentleman from Michigan and the comment made by the gentleman from New York and apropos the section of the report just read by the gentleman from Indiana, I would like to read the following section from the bill that became law on August 10, 1965, and ask the gentleman from Texas, the author of the present bill, to convince us that there is no duplication.

Here is what Section 702(a) of that bill says:

SEC. 702. (a) The Housing and Home Finance Administrator (hereinafter in this title referred to as the "Administrator") is authorized to make grants to local public bodies and agencies to finance specific projects for basic public water facilities (including works for the storage, treatment, purification, and distribution of water), and for basic public sewer facilities (other than "treatment works" as defined in the Federal Water Pollution Control Act): *Provided*, That no grant shall be made under this section for any sewer facilities unless the Secretary of Health, Education, and Welfare certifies to the Administrator that any waste material carried by such facilities will be adequately treated before it is discharged into any public waterway so as to meet applicable Federal, State, interstate, or local water quality standards.

That section does not confine itself to urban communities. How is the authority granted here to the Housing and Home Finance Agency different than the authority that is proposed to be vested in the Farmers Home Administration.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Michigan. I yield to the gentleman.

Mr. POAGE. The testimony before the committee was that the Housing and Home Finance Agency although having the authority, as I carefully pointed out a few moments ago when I was in the well, although having the authority to make such loans, had a policy of not making the loans anywhere where there were less than 5,500 population. That was the reason and I explained it a while ago. That is the reason we adopted the 5,500 population limitation because of the practice of this agency not to go into communities of under 5,500 population.

Mr. JONAS. My point is this. Does the gentleman from Texas say that the Housing and Home Finance Agency does not have authority to make these loans and grants in rural communities?

Mr. POAGE. I said it twice before and I will say it now for the third time—the Housing and Home Finance Agency does have the authority but it has the practice, a self-imposed limitation, of 5,500 as being their lower limit, which is the upper limit in this bill.

Mr. JONAS. Under the second section and I will not read it because it is a long section, it makes the break off at 10,000. It provides for loans and grants to public bodies and agencies in communities "under 10,000 in population." They have not had time to ask for any money yet to implement that bill but the authority is conferred upon the Housing and Home Finance Agency—new authority which was just granted this year, to make the identical type of loans and grants that are proposed to be made under this bill. I am just wondering if we should not be very careful that we are not duplicating the authority here? We do not want to have every agency of Government involved in these loans and grants.

If so, we will have a bureaucracy that will absorb a great deal of the money in administrative costs.

Mr. HARVEY of Indiana. Mr. Chairman, I do not desire to prolong this debate. I appreciate the concern of the gentleman from North Carolina [Mr. JONAS], and his bringing the matter to the attention of the committee. It is my personal pledge to you that I shall make a definite effort, within my limitations, to make sure that if the bill is passed, there is no duplication.

Mr. ANDREWS of North Dakota. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from North Dakota.

Mr. ANDREWS of North Dakota. I believe the gentleman from Michigan and the gentleman from New York made a point that there is a duplication in this field. I think the thing that the House must realize is that despite the fact that we have all this duplication, none of it filters down to the small rural communities. The specific aim of this legis-

lation is to give rural communities the break which the larger cities have in all the other bills which we have passed and which, in some cases, overlap. This bill will do just that and give our rural communities and their people the ability to share in these programs so long available only to the big cities.

Mr. SMITH of Iowa. Mr. Chairman, will the gentleman yield?

Mr. HARVEY of Indiana. I yield to the gentleman from Iowa.

Mr. SMITH of Iowa. I believe the point should be made that this other legislation is designed for depressed areas. Many areas which would be eligible under this bill would not be eligible under the ARA.

Mr. HARVEY of Indiana. Mr. Chairman, I have no further requests for time on this bill. I reserve the balance of my time.

Mr. COOLEY. Mr. Chairman, I yield 3 minutes to the gentleman from Missouri [Mr. RANDALL].

Mr. RANDALL. Mr. Chairman, I shall not take but a part of the 3 minutes. I would like to point out that in our congressional district there is a perfect illustration, in relation to the discussion which has just taken place. In rural Jackson County which is in west central Missouri a public water supply district is nearing completion. The farmers in this area could not get a Housing and Home Finance loan from Community Facilities because the area was wholly an unincorporated area. They made application to Farmers Home Administration and were able to get an FHA loan. Today a rural water district, is now proceeding toward the final stages of construction, made possible under the old enactment. This bill today will expand the insured loan authority and provide the means to make loans more attractive to investors through better yields and repurchase agreements.

This is a worthwhile amendment. Beyond a doubt there are dozens of other places close to metropolitan areas which are situated in unincorporated areas and which house commuters who come back and forth, from work, but live on tracts of small acreage 25 to 35 miles from work. In this same general area there are people who have family farms of 100 to 150 acres who would not be covered by any other program.

It is a privilege to support H.R. 10232. Later I shall ask consent to include in the RECORD some communications that I have received on the subject.

Recently I received a letter which proved the value of Federal assistance in the construction of a water supply district in a rural area, which reads as follows:

SEPTEMBER 7, 1965.

Representative WILLIAM J. RANDALL,
House of Representatives,
Washington, D.C.

DEAR MR. RANDALL: We are enclosing herewith a copy of a letter addressed to Mr. Howard Bertsch, Administrator, Farmers Home Administration, which will be of interest to you. As you will note, we have attempted to express our appreciation to some of the people concerned in prosecuting this project.

We will remember for a long time the assistance we received from you and your office.

In the beginning it was your office that helped us to get the area approved for the project, and later, you helped us in placing idle funds so that something like \$4,500 was realized to add to our "kitty" which will be quite handy in tiding us over the first lean years.

It strikes us that this is one service rendered by our Government which results in handsome returns to everyone concerned, including the people who receive the water service, those who earned wages on the project, and "Uncle Sam" who will also receive reimbursement manifold not only in money but in the good will of the people affected.

Thank you again.

By order of the Board of Directors, Public Water Supply District No. 13 of Jackson County, Mo.

MAURICE HARTMAN,
H. J. HARTVIGSEN,
DON I. MONTGOMERY,
CECIL RANDALL,
JOHN W. JOHNSON.

The group of progressive, forward-looking farmers who banded together to form Public Water Supply District No. 13 were so grateful to the Farmers Home Administration for the excellent service rendered during the construction of water mains in the rural areas that they recently composed a letter and forwarded it to the Administrator at the Central Office here of Farmers Home Administration over at the Department of Agriculture, which reads as follows:

SEPTEMBER 7, 1965.

Mr. HOWARD BERTSCH,
Administrator, Department of Agriculture,
Farmers Home Administration,
Washington, D.C.

DEAR MR. BERTSCH: You will be pleased to know that the system of Public Water Supply District No. 13 of Jackson County, Mo., is substantially complete, and a number of patrons are now receiving water service. Due to the fact that we received a very favorable bid on the project, substantially below estimates, and due to the able assistance and cooperation of many people we accomplished much more than originally planned. In fact, we were able not only to reach every residence, farm, school, church or business in the 25-mile square area comprising the district, who wanted water service, but to increase the size of mains, build a loop tying them together, and to double the size of our elevated storage tank. All told we have slightly more than 43½ miles of mains and distribution lines reaching all but six homes (who did not want service) and a sizable reserve fund out of which to finance additions and to help carry us through the first year or two during which time we anticipate that about every one in the district will become a water user.

The purpose of this letter is to express our sincere appreciation in behalf of all of the residents of the area for the unstinting work done by the people attached to the Columbia and Liberty, Mo., office of the Farmers Home Administration. Mr. Jose was most helpful with overall advice and suggestions which not only enabled us to accomplish this project, but to do so expeditiously and at substantial savings. Messrs. Tise and Mussman gave us invaluable help with detailed engineering problems as well as financial matters, and at all times lent us every help we required of them.

We are especially indebted to Mr. Henry Smith of your Liberty, Mo., office who has been at our side during the many months the project has been developing, with every kind of help, including interpreting the rules and regulations, assisting with the minute details of which there are, of course, a multitude. He is, and has from the beginning made himself available at any time, day

or night, to assist in the development and completion of the project. He has attended many meetings, speaking at general ones, at which the public was invited, explaining and interpreting the procedures to be followed, etc. In other words, explaining how to accomplish our purpose as expeditiously as possible. All of these meetings, including board meetings, of necessity, were held "after hours", but Mr. Smith is always available. Now we know that Mr. Smith has the responsibility of this duty, but we are sure he has done much more for us than could reasonably be expected even of a good public servant.

In conclusion, we wish to say that we are convinced that without the assistance available through the Farmers Home Administration, and its people, this project, so sorely needed, could not have been brought to a successful conclusion.

By order of the Board of Directors, Public Water Supply District No. 13, of Jackson County, Mo.

MAURICE HARTMAN,
H. J. HARTVIGSEN,
DON I. MONTGOMERY,
CECIL RANDALL,
JOHN W. JOHNSON.

In the words of the report which accompanied H.R. 10232 it is pointed out that the establishment of adequate water and waste disposal system is one of the crying needs of rural America. Our city dwellers turn a faucet or push down on a handle to flush a toilet. From the first, water appears and from the second, waste disappears. It is really almost like magic but either these city dwellers don't realize or else never stop to think that there is no such magic in most of the rural areas. A rural resident can try to build such a system at great expense to himself, but many times with frustrating results.

In many areas there is adequate water of some kind but not an ample supply of pure water because today not just any water will do. It must be pure and chemically acceptable if it is to be used in dairy areas and for truck gardening purposes.

It is estimated there are 30,000 rural communities in America today who need new water and sanitation system, and until some way is enacted that will permit these communities to install such systems they will be denied the water and sanitation facilities city residents take for granted.

H.R. 10232 does not duplicate any of the authority of the various statutes and programs designed to provide for urban areas. The bill specifically provides that a definition of rural areas shall not include any part of any area in a city or town which has a population in excess of 5,500 inhabitants.

It is difficult to envision the great good that can come from the enactment of a bill such as H.R. 10232. Only the passage of time will reveal the great development that will come about in both the closely settled and the sparsely settled rural areas of America. One does not need a crystal ball to predict that new rural water and sanitation facilities made possible under this enactment will be a boon and a blessing to rural citizens in terms of improved health and expanded economy in the years that lie ahead.

Mr. COOLEY: Mr. Chairman, I yield to the gentleman from North Dakota [Mr. REDLIN] 1 minute.

(Mr. REDLIN asked and was given permission to revise and extend his remarks.)

Mr. REDLIN. Mr. Chairman, most of my city colleagues very likely take it for granted that running water and modern sewage facilities are available in nearly all American homes. Such is not the case in many rural areas, such as those I represent in western North Dakota.

Comprehensive programs to encourage sanitary and healthful living conditions in urban areas have been in operation for several years. We badly need a program tailored to the specialized conditions of rural agricultural areas.

As a member of the Committee on Agriculture, I consider it a privilege to have participated in the decisions that resulted in the legislation before us, H.R. 10232. Because, Mr. POAGE, the able vice chairman of the Agriculture Committee, has made a fine presentation, I will not take up additional time detailing its provisions.

I will only say that, through loans and grants to local governments or groups of rural residents, it would take significant strides toward improving the overall living standards in our rural communities, utilizing to good advantage the experience, background and knowledge of the Farmers Home Administration.

I urge the support of my colleagues for H.R. 10232.

[Mr. COOLEY addressed the Committee. His remarks will appear hereafter in the Appendix.]

Mr. COOLEY. I yield 3 minutes to the gentleman from North Carolina [Mr. WHITENER].

(Mr. WHITENER asked and was given permission to revise and extend his remarks.)

Mr. WHITENER. Mr. Chairman, I sincerely believe that the passage of H.R. 10232 is essential to assuring the economic survival of literally thousands of undeveloped rural areas. This is because it will help many farm and rural families and business firms obtain much needed water and sanitation facilities for the first time.

This legislation would establish for rural communities a Federal assistance program comparable in scope to programs which are available to urban communities under several statutes.

One section of H.R. 10232 authorizes the Department of Agriculture's Farmers Home Administration to make or insure loans to rural associations, including corporations not operated for profit and public and quasi-public agencies to provide for the installation or improvement of facilities for the use and control of water.

This includes the installation of improvement of waste disposal facilities. Such facilities must be primarily designed to serve farmers, ranchers, farm tenants, farm laborers and other rural residents. The agency would also be authorized to furnish financial assistance or other aid in planning projects for such purposes.

Another section of H.R. 10232 authorizes the Farmers Home Administration to make grants not to exceed a total of \$50 million in any fiscal year to agencies and associations to assist in financing specific

projects for the development, storage, treatment, purification or distribution of water or the collection, treatment or disposal of waste in rural areas. The amount of any such grant cannot exceed one-half of the project's development cost.

Mr. Chairman, another section of the bill would implement this program by expanding the Department of Agriculture agency's insured loan program authority and provide means of making loans more attractive to investors through better yields and more flexible repurchase agreements.

Members of this body should not overlook the fact that establishment of adequate water and waste disposal systems is presently one of rural America's most crying needs.

These facilities are ones that have been taken for granted during recent years by most city dwellers. During most of their lives they have simply turned on a faucet or opened a drain and a system provided by the community made water appear or wastes disappear.

Mr. Chairman, there are still some 30,000 U.S. rural communities that urgently need water and sanitation systems. And until this need is met, these communities cannot grow and make their contribution to this great Nation's overall economic growth. The sad part of this situation is that thousands upon thousands of rural residents are being denied ordinary, everyday water and sanitation facilities available to practically all urban area residents.

One need only to observe the Farmers Home Administration community water system program at work in rural areas to realize the important role such a program can play toward helping make a given rural community a better place to live.

I am gratified to report that four much needed community water systems have been financed in my district since late 1962 by loans from this U.S. Department of Agriculture credit agency.

The loans—ranging in amount from \$132,200 to \$644,000—totaled close to \$1.5 million and have or will soon make possible systems serving over 6,000 rural people with an adequate supply of safe water for the first time.

It should be remembered that these 6,000 rural folks are ones that have been obtaining water from ponds, creeks, cisterns, and even contaminated shallow wells.

The first of these loans—one for \$132,200 made November 18, 1962, to the Fallston Water System, Inc., in the district's Cleveland County—brought about construction of a system that pumped new life into the community in which it is located.

Besides furnishing water to some 500 farm and rural residents, the system's presence attracted a new industry to the community soon after it was built. And now a consolidated district high school is being built at Fallston because running water is now a reality. The new industry employs over 50 Cleveland County residents on a full-time basis.

The four systems should also be credited with furnishing close to 16,000 man-days of employment to sections of

the 10th district where water systems were or are now being constructed.

There is indeed an urgent need for this legislation to help the Farmers Home Administration to do the job that they are capable of doing with the help of authority and loan funds H.R. 10232 carries.

In North Carolina the funds available fall far short of meeting the need. This is true throughout the country.

Mr. Chairman, with the passage of H.R. 10232, water development, such as that cited in my district, will continue and so will our steady march toward the Great Society.

I want to emphasize that this is a vital bill. One, that if enacted, will bring about new opportunity and hope for thousands of rural Americans. It indeed offers to rural America a new dimension for expansion. I join with my colleagues in asking your approval and endorsement of this legislation.

Mr. CLEVELAND. Mr. Chairman, I strongly support passage of H.R. 10232, which would provide a program of grants and increased loans for water facilities in rural agricultural areas. I testified in favor of the bill during hearings before the Agriculture Committee at which time I made clear my preference for certain provisions of this bill over the S. 1766, a comparable bill approved by the Senate. The main reason is that the House bill provides somewhat broader population limits than the Senate's, the limit in H.R. 10232 being a population of 5,500 as opposed to the limit of 5,000 set by the Senate. While I would have preferred extending the limit slightly more—to 6,000—this is satisfactory. I would like to point out, in this connection, that, on the basis of information from the staff of the Committee and from Administration authorities who will be administering this legislation, the population figures are to be determined by using the findings of the 1960 Census. In addition I prefer the better definition of rural area contained in H.R. 10232.

The need for this legislation is imperative and has been intensified in my area by the drought afflicting the Northeast. This 4-year drought has been having a severe impact. We are all aware of the severity with which the drought has fallen on the large metropolitan areas such as New York but it is every bit as severe on rural areas. In some ways, the impact on small, rural communities is grater than on the cities because of their great dependence on farming and because they do not have the financial resources available to the big cities.

I commend the Committee for its prompt action on this legislation and for the completeness of its report. This legislation will provide invaluable assistance to many hard-pressed communities in my district and I can assure the House that the assistance will be used to the best possible effect, returning the investment many times over in farms, crops, and jobs that will be saved or improved. I urge the House to approve this legislation.

Mr. KEE. Mr. Chairman, I fully support the provisions of H.R. 10232,

amending the consolidated Farmers Home Administration Act of 1961.

In this connection, Mr. Chairman, the members of the Committee on Agriculture of the U.S. House of Representatives under the able leadership of Chairman COOLEY are to be highly commended for this measure which will definitely benefit rural America.

It should be noted that the Housing and Home Finance Agency, which has done an excellent job, has centered its attention on, and its experience is limited to urban areas. The Farmers Home Administration, on the other hand, is oriented to the problems faced by rural America.

The enactment of H.R. 10232 will actually result in a saving to those residents of rural areas, that is, with a population of 5,500 or less, simply because these areas in need of an adequate water system as well as adequate sewerage systems can combine the construction of both essential facilities at the same time.

Therefore, Mr. Chairman, I respectfully recommend to the Members of the House that H.R. 10232 be passed.

Mr. PERKINS. Mr. Chairman, I rise in support of H.R. 10232, a bill to amend the Consolidated Farmer's Home Administration Act of 1961 which authorizes the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas. The bill likewise authorizes grants to aid in rural community development planning and for construction of both water systems and sanitation facilities. The bill further increases the annual aggregate of loans insured. Legislation of this type is long overdue, and to my way of thinking, the rural areas of many sections of the country and particularly eastern Kentucky have been overlooked. This legislation bridges the gap that is very much needed and it is a great pleasure for me to support such a worthy bill. By making these communities livable, we will be able to keep our good people at home in many sections where we now have too much outward migration. For many years I have urged the passage of legislation of this type. I now urge all Members to do likewise.

Mr. SCHMIDHAUSER. Mr. Speaker, I urge approval of the Rural Water and Sanitation Facilities Act of 1965. There is no measure of more vital importance to the orderly growth of rural communities than this measure. For far too many years, residents of rural America have found that it is increasingly difficult to get the adequate clean water supplies that they need and found it exceedingly costly to develop sanitation systems necessary for growth.

It is estimated that 30,000 rural communities need new water and sanitation facilities. I know that several of these are located in southeast Iowa. There are many people throughout my district who prefer to live in rural communities rather than move to cities, but find it difficult to do because they cannot find adequate water and sanitation facilities in many

of the smaller communities. Communities like Morning Sun and Columbus Junction have indicated their need for more adequate sanitation facilities. Farsighted community leaders in St. Paul in Lee County have indicated they have a tremendous potential for growth but need help in establishing a sound water system. Examples such as this could be repeated in every community throughout the First District of Iowa.

In fairness to our rural residents, let us extend to them the same opportunities for adequate water and sanitation facilities that have been afforded in other legislation to our large cities. I urge passage of the Rural Water and Sanitation Facilities Act of 1965.

Mr. ALBERT. Mr. Chairman, I would like to speak in behalf of H.R. 10232.

I am here to urge the House to act favorably on this legislation because I am firmly convinced that it will bring many benefits to the rural areas of my great State of Oklahoma, to other States in the Southwest, and to rural areas across the Nation generally.

For some years now, the Farmers Home Administration—working as the credit arm of the U.S. Department of Agriculture—has been extending loans accompanied by technical assistance to rural families.

This credit program has helped to build family farms and strengthen rural communities.

However, the need for this unique type of service has been so great and the programs which the agency administers have been so popular, that there have never been enough funds to go all the way around. Consequently, farm families who may have otherwise succeeded have been forced off the farm and into the city, and communities which may have survived have been allowed to die.

H.R. 10232 takes a bold and imaginative step in remedying the unfortunate limitation on funds which has drastically handicapped the Farmers Home Administration in carrying out its important work.

It would—among other things—increase from \$200 million to \$450 million the annual authorization for insured loans for farm ownership and association or community facility purposes, increase to \$4 million the amount of financing available to a rural group to develop a rural community water or other community facility, authorize grants for certain community water systems up to 50 percent of the cost, and adopt 5,500 as the maximum population of a community designated as rural.

I am personally interested in and support all sections of this proposed legislation. However, I would especially like to direct some of my remarks at what this bill would do to strengthen rural communities.

A review of applications for Farmers Home Administration assistance from many communities in my district and throughout the State of Oklahoma clearly indicates that the current \$1 million limitation on a loan to help finance a water system or other group facility is

severely handicapping rural development.

I have had letters from smalltown mayors, ministers, businessmen, ranchers, and other leaders which point up the problems caused by this low loan ceiling.

My contacts with Secretary Freeman and with Howard Bertsch who administers the Farmers Home Administration programs reveal that the Department is continually receiving inquiries from communities in all sections of the country which must be turned away because of the low credit ceiling.

Since the Farmers Home Administration is the court of last resort for rural financing, some communities are simply forced to continue without making needed improvements. A feeling of despair and hopelessness sets in. They have nothing to offer industries and new businesses which are looking for a place to locate.

Young people who have grown up and were educated in these communities go elsewhere to earn their livelihood.

The communities, themselves, wither and die because they are boxed in economically. They are the victims of a combination of economic and social circumstances from which there is no escape.

Other communities are going ahead with development plans despite the low credit ceiling. But they are finding that if adequate funds were available they could build a far better and more efficient system for their area.

Raising the loan limit to \$1 million would help solve this problem.

I strongly favor the provisions of H.R. 10232 which would provide grants when necessary to help finance community water systems.

Many rural communities in Oklahoma and in other States cannot afford to construct a system even under a long-term low interest loan program.

Such a water system is beyond the means of some communities because of the low income of potential water users.

In certain communities costs run higher because of the great distance between families, and grants are necessary to help get the monthly water bill down to a reasonable figure which the users can afford.

In still others communities are barred from a water system because of high costs where water treatment plants must be installed.

Oklahoma has about 175 upstream flood control watershed projects either built, planned or with applications pending. More than 1,000 dams have been constructed in these watersheds so far. Most of these dams back up water that could be used for domestic purposes. But it has to be adequately treated and filtered and plants for these purposes are expensive.

Some progress has been made in moving water from these reservoirs, when feasible, and piping it to farms, ranches, and rural towns, or creating rural water distribution systems from other sources of water.

Thirty-four such community projects have now been developed over the past

couple of years, put under construction or approved for financing through the Farmers Home Administration. Twenty-one other projects have been tentatively approved. Sixty-one additional project applications are being considered; and hundreds of other small towns and non-town rural areas of Oklahoma have shown their interest in mobilizing local forces to duplicate what has been done in the projects already completed.

However, there still remains in these water-rich areas, communities which cannot afford the cost of developing surface water even when loans are available.

Some grant aid is necessary.

These communities are continuing without water. Yet studies show that many have great potential for growth.

The water situation in Oklahoma and the Southwest has been acute for some time. Despite this problem, our population has been increasing at a tremendous rate.

During the period 1950 to 1960, population increased in my State at the rate of 4.2 percent a year and a recent estimate by the Department of Census shows that in the last 4 years this rate has speeded up to a growth rate of 5.9 percent a year. The trend that concerns me, however, is that while our total population is increasing our rural population is decreasing.

People are ending up in the cities which have the means to support good water and other facilities.

During the 1950-60 10-year period, for example, when our total State population went up by 100,000 persons, our rural population in Oklahoma dropped some 300,000 persons.

An estimated 25,000 to 50,000 of this loss in rural areas was due to cities annexing surrounding fringe areas but the remainder of this loss can be charged to the migration into the cities by farm families and families from small towns.

I mentioned earlier in my statement that the Farmers Home Administration consistently lacks adequate funds to meet the demand for loans from family farmers and rural communities.

H.R. 10232 would remedy this problem by increasing the annual insurance authorization by \$250 million.

In Oklahoma we have nearly 100,000 farms and ranches and account for an important quantity of the Nation's food production. My State ranks 4th in wheat, 10th in cattle.

Operators of these farms should not be cut off from sources of credit. However, I started receiving information early in December—less than one-half way through the 1965 fiscal year—that the Farmers Home Administration already had enough loans in advanced stages of processing throughout the Nation to utilize their annual insured loan authorization of \$200 million. The program, so far as serving new applicants for water systems and family farms, was forced to a halt.

In March 31 of 1965, 3 months before the fiscal year was ended, the Farmers Home Administration had on hand 17,500 applications for farm ownership loans and 1,400 for water systems and other facilities.

The dockets that the Farmers Home Administration had on hand at that time, the applications on file, and the general trend of the insured loan program indicates a demand well in excess of \$450 million a year which H.R. 10232 would authorize.

I hope that I have made clear my feelings on the necessity for this legislation.

Personally, I believe that passage of this bill would be one of the most valuable services which this session of Congress could provide to our rural people.

I strongly urge the committee's favorable consideration of H.R. 10232.

Thank you.

Mr. BANDSTRA. Mr. Chairman, of considerable importance to the rural sector of our economy is an adequate source of credit. First, of course, and I think we all agree, this credit should be furnished whenever possible through our private lending institutions.

However, there comes a time and there comes a place when because of mitigating circumstances of one kind or another, banks, insurance companies, and other investors are unable to fill the credit needs.

To fill this credit gap the Congress some years ago designed an insured loan program that would enable a USDA agency, the Farmers Home Administration, to take funds provided by private investors and make loans that conventional credit institutions were not in a position to handle.

This insured program has proved its worth but it is too limited in scope and a credit gap still exists.

H.R. 10232 proposes to alleviate the loan fund shortage by raising from \$200 to \$450 million the annual insurance authority of the Farmers Home Administration. This is the authority by which the agency can make loans to tenant families to buy farms of their own and to rural communities up to 5,500 population to install water systems and other needed facilities.

Farmers Home Administration loans are extremely important to farm families and communities in my district, and to Iowa and rural America in general.

I believe it pretty well known, at least among my rural colleagues in the Congress, that our farm population is growing older.

The average farmer today is 51 years of age, some 3 years older than his counterpart of a decade ago.

Many farmers are pushing retirement and are moving out of farming.

Their farms are coming on the market and the Farmers Home Administration is carrying out a vital role in helping younger farm families acquire them.

Farmers Home Administration is often the only credit source available to many young families. With a small down payment of their own plus a knowledge of farming, willingness to work, and a burning desire to own their own farm, they can obtain Farmers Home Administration credit to begin the road to farm ownership.

Within 8 to 10 years many of these families make such progress that they completely retire their loans or are able

to refinance them through local banks, insurance companies, or other lenders.

These loans are important to Iowa if it is to remain a great agricultural State with family farms as far as the eye can see. Under the expert leadership of Gene Hoffman, FHA State director in Iowa and the help of his dedicated staff, farm ownership loans have been on the increase. My State now ranks second in the Nation, following closely behind first-place Missouri in volume of farm ownership loans.

Last year, Iowa farm families used some \$11 million in FHA loans to buy farms of their own—a tremendous increase over previous years such as in 1960 when only \$1 million in loans were made.

Even with this substantial loan volume, however, we are only seeing the beginning of the huge transfer of farms that is going to have to take place as the bulk of today's farmers move into retirement.

Mr. Chairman, also important to the future of our rural families in Iowa and to rural people across the Nation is an adequate water supply. Without the assurance of a good and dependable water system, no community can expect to develop its full potential.

If it lacks a modern water supply system, a community's chances of attracting new industry are slim indeed.

Unfortunately, this is a plight in which many rural communities now find themselves.

The Department of Agriculture estimated recently that more than 30,000 rural communities lack good water. People in these areas are forced to rely on shallow wells, rainwater cisterns, streams or ponds, and in some cases these water sources are badly polluted.

Four years ago, when the Congress enacted the Consolidated Farmers Home Administration Act of 1961, it greatly expanded the agency's authority to help rural families bring good water and other facilities to their communities.

This program has proven highly successful. Between January 1, 1961, and August 31, 1965, the FHA made or insured more than \$161 million to finance work in 43 States. Nearly 46 percent of this money loaned to rural groups occurred during the past fiscal year.

Secretary Freeman estimates that—besides the critical demand for more farm ownership money—some \$361 million in funds are needed for the current fiscal year to process association loans authorized for water systems and other community facilities.

The success of this loan program—based on the projects already in service or under construction together with the large number of applications on hand, clearly demonstrates its popularity and worth.

Much work remains to be done in providing the credit tools to rural communities so that they may secure good water.

H.R. 10232, in addition to expanding the existing loan program, would provide the FHA with the authority to make Federal grants to nonprofit groups for the development of water systems.

These grants would be an excellent investment. Water is a basic necessity to families in any community, but it is also essential for economic growth. Lacking a good water supply, many rural communities are without a sound financial base; and lacking a sound financial base, they are without the economic resources to obtain a good water supply system.

Grants are also needed in some communities to lower the water system's cost. Farmers Home Administration's loan is repaid from sale of the water. The monthly water bill must be within the reach of the family's pocketbook.

However, in many of our smaller rural towns there are a high percentage of older families, some relying almost entirely on social security retirement benefits.

Appanoose County in my district, for example, has a population, 20 percent of which is 65 years of age and older. Some of these families must try to exist on social security checks as small as \$70 a month. They cannot pay rent, buy food and medical supplies and still afford a \$10 to \$12 monthly water bill. A program of Federal grants for rural water development is the most promising method of solving this dilemma.

With these considerations in mind, I respectfully urge passage of H.R. 10232, a bill with many of the features contained in H.R. 10052 which I earlier introduced in this session of Congress.

Mr. MARTIN of Nebraska. Mr. Chairman, I will be proud to have the record show my support for H.R. 10232.

We have few opportunities to vote for so constructive and sound a bill strengthening free enterprise and community initiative in the rural area. This is neither a partisan measure nor the implement of any special privilege.

Certain great regions of the United States still thrive on the tradition of the family ranch and family farm.

Central and western Nebraska is such an area.

Under the terms of this bill, farm families and towns making up three-fourths of the population of our district will qualify for these rural services of the Farmers Home Administration.

It suits Nebraskans that this bill extends to them no special advantage, no easy bonuses—simply a better opportunity to build on their own resources and pay their own way.

In Nebraska, the heaviest benefits of the bill may lie in the broader authority for the Farmers Home Administration to arrange and endorse the private lender's financing of family ownership of ranches and farms.

Independent family farm enterprise remains the staff of life in the great plains and hills of Nebraska; and the need for a larger volume of credit to support free agriculture in Nebraska is clear.

Of more than 1,100 applications for initial farm ownership loans received through Farmers Home Administration offices in the State during the past fiscal year, 664 were still on hand awaiting action at the end of the year, last June 30. Insured loan authority of the

agency under present limitations, was used up by April.

This bill will double the authority of the Farmers Home Administration to insure private loans for family farm ownership.

No action introduced or suggested in this Congress could go further to secure the future of a prosperous rural economy, in which the farm family meets its problems and works its way to financial stability on the land.

At the same time, no measure introduced or suggested improves upon this bill as a way to accomplish that end without resort to public spending. This is a plan relying entirely on private capital, advanced on the endorsement of the Farmers Home Administration.

We have confidence in the success of this program because of its past good effect and good administration. On more than \$1.6 billion of long-term family farm ownership loans extended through this agency the past 30 years, repayments of principal stand on schedule at more than \$600 million, writeoffs at a mere \$5 million, and interest collections \$300 million.

Nebraska has long set an example for the participation of its private lending institutions in this program. Banks of our State and other private lenders have provided 60 percent of the \$47 million in family farm ownership credit over the years, as against a 50-percent national average.

The resources made available through this bill will also speed the fulfillment of urgent needs in many of our rural towns, through community improvements carried out on a self-paying basis.

Expanding the broad field of opportunity for rural people represented by this bill will be one of the distinguished actions of this Congress.

Both in its special application to our needs, and in its overall contribution to strength and progress in the vast community of rural America, we wholeheartedly support this bill.

Mr. ROBISON. Mr. Chairman, I expect to vote for this bill—H.R. 10232—for it is designed to meet a very real need in a neglected problem field.

However, Mr. Chairman, I must point out that we have here a perfect example of the hazards of legislating in haste, at the end—we hope—of a long and tiring session when we are simply not able or willing to give our time and attention to insuring that our legislative products are the best we can make them.

There will—despite all the pro and con talk here a few minutes ago—most certainly be a duplication of Federal effort and programs in this field as a result of the passage of this bill. One can only hope that, somehow, through the appropriation process, perhaps, that duplication can be controlled until the legislative confusion we are creating can be corrected.

There is one other point that should also be mentioned. The Federal aid moneys, here, are evidently going to go directly from the Secretary of Agriculture to the public or private agency or corporation to be assisted. This means that, once again, we are bypassing the

State governments and especially the State public health agencies that also ought to be consulted and asked to approve or disapprove of any particular water or sanitation project that might be built under this program.

One of the reasons that the existing antipollution program has worked as well as it has, is that the funds thereunder go through the State authority. I think they ought to do so here, but it is apparent the House is in no mood to consider any further amendments nor to longer discuss this bill, so I can only hope that we do not repent in leisure what we are doing here in unnecessary haste.

Mr. EDMONDSON. Mr. Chairman, I strongly support this bill, which is urgently needed in many of the Nation's smaller towns and communities—the very backbone of the country.

The loan and grant provisions of this bill will literally bring the 20th century into being for millions of Americans who live today in areas where good water and sewage disposal facilities are unavailable.

The Farmers Home Administration is admirably equipped to administer this program and FHA personnel are in a position to move it forward effectively in all of the States.

I hope and trust the bill will be overwhelmingly approved and swiftly signed into law by the President.

Mr. STRATTON. Mr. Chairman, I rise in strong support of this legislation, and have been proud to join in cosponsoring it. Few pieces of legislation considered by this Congress would go farther in meeting the urgent needs of the upstate New York district I have the honor to represent than this bill to provide funds for the construction of needed water and sanitation facilities in rural areas. Not only will this bill be responsive to a demand that has been building up rapidly in recent years as increased home construction and industrial development have been moving into suburban and rural areas. It will also prove to be one very helpful step in meeting the serious drought which New York and other Northeastern States have been suffering again this year.

During the 2 years in which the accelerated public works legislation was in operation I came to realize just how urgently hundreds of small communities in my area desperately need help in the construction of water and sewer facilities. Six of the eight counties in my district were eligible for accelerated public works help by virtue of their rate of unemployment. And in almost every case their eligibility under this act was used to apply for help in building water lines or sewer lines and disposal facilities. Nothing quite like it had ever been available to these communities before. Villages and towns that for years had spurned any thought of turning to the Federal Government for help and assistance suddenly flooded Washington with applications for accelerated public works help in building facilities in these two categories.

The Accelerated Public Works legislation was so effective, Mr. Chairman, that in my area all but 1 of these 6 eligible

counties are no longer eligible for Accelerated Public Works help. Their unemployment problem has greatly improved. Yet their need for water and sewage facilities remains acute. And their inability to finance these projects is also acute, because it is really not related to any particular level of unemployment at all. The fact is that with limited taxing powers rural areas simply cannot raise the very substantial capital funds that are required to meet pressing water and waste disposal needs. The Accelerated Public Works bill helped them begin to catch up. But the Accelerated Public Works program ran out too rapidly. And in any case the needs of the rural communities continue regardless of the unemployment factor.

Consequently this legislation is a must. It will help these communities keep on catching up. It will provide this help in those areas which are least able to pay. We have recognized the desirability of help along these lines for urban communities for many years. But we have been slow to recognize a similar need in smaller communities. Just this year, for example, in the 1965 Housing Act, we increased the total amount which can be spent for sewage facilities under the bill for large metropolitan areas. Some of us feared that this increase in funds for the bigger cities might well mean that the portion of funds under the Housing bill that would be left for rural areas would be very limited indeed. Fortunately H.R. 10232 will now fill this gap, and we will be able to do as much for our smaller communities as we have been seeking to do for our large cities.

Mr. Chairman, there is no doubt but that interest in this rural water and sanitation facilities legislation was greatly heightened because this summer the northeastern part of the country went through the fourth consecutive summer of serious drought. The damage which this drought has done is so severe that the Federal Government must join with State and local governments to ease its impact. This bill is one step in that direction. It gives local communities a means of developing the new and expanded water facilities that the drought has demonstrated to them they need. But it will not by itself take care of all the problems created by the drought. We also need legislation that will allow farmers to add in the heavier costs of production resulting from the drought in computing the price they receive for their product under Federal marketing orders. We need facilities that will help the farmers get water to their crops more efficiently in periods of drought—some form of irrigation that is. If this drought persists for another year or more that is what I believe we may have to come to. We also need legislation to push research on the possibilities of encouraging rainfall artificially. Much of the emphasis on the effects of the drought has been placed on the serious water supply needs of our major cities, and these are indeed severe. But the drought has also created very heavy problems for our rural areas as well, problems of the type I have described.

This legislation before us today, rec-

ognizing the special needs of rural communities in connection with water supplies, as well as sewage facilities, will make it possible for us to focus more sharply on the problems of our rural communities, and I am hopeful that in months to come we can deal as forcefully and effectively with these other problems resulting from the drought as this bill deals with the particular problem to which it is addressed.

I am especially glad that the bill as drafted also protects the rights and interests of those who may need to depend on private water supply systems. We must protect our existing private water supply industry.

I am proud to support the legislation, and I urge its prompt enactment into law.

Mr. HANSEN of Iowa. Mr. Chairman, I rise in support of H.R. 10232 and wish to associate myself with the members of the committee in urging its passage.

There is a great need for the legislation that is included in H.R. 10232. This bill provides for water and sanitation facilities for rural areas. The provisions are quite similar to those which have been accorded to the city dweller in the recently passed housing and urban renewal bill. This bill establishes for rural communities a program of Federal assistance in the construction of water and sanitation systems comparable to the existing programs which have been available under several statutes for urban communities.

The establishment of adequate water and waste disposal systems is one of the crying needs of rural America. City dwellers have taken these facilities very much for granted. Throughout their lives, city dwellers have merely turned a handle and a system existed which made water appear or waste disappear. Most city dwellers have not realized the extent to which such magic was nonexistent in our rural areas. Historically, rural citizens have been forced to provide their own water supply and disposal systems, in some instances at very great personal expense. Often these systems for waste disposal are completely inadequate.

The enactment of this legislation will further serve to help solve the serious problem of water pollution that is plaguing so many parts of our country. Water, as we all know, is one of our most precious resources. Without it, the production of fruits, fresh vegetables, and dairy products for a hungry market is exceedingly difficult. All of these depend on an ample supply of pure water and adequate sanitation facilities. Water must be pure to do its job correctly today.

The need for this type of new water and sanitation system is exceedingly great. There are perhaps 25,000 to 30,000 rural communities that lack the sanitary and health needs that are so elementary. This need must be met if these communities are to grow and make their overall contribution to the growth and welfare of the Nation. The development of adequate sanitation and water supply systems in our rural communities

will assist in relieving the pressures of population in our urban centers by causing at least a partial reduction in the influx of people from rural areas into the urban communities. It is with a sense of fairness for our rural residents that we propose this measure so that they will no longer be denied the ordinary everyday facilities of water and sanitation which city dwellers have for so many years taken for granted.

Because of my deep concern, I introduced a bill similar to H.R. 10232 and have been pleased to work for the adoption of this measure.

Mr. MOORE. Mr. Chairman, I rise in support of H.R. 10232, which would establish for rural communities throughout our Nation a program of Federal assistance which has been desperately needed for too long a time. This legislation would establish a program of Federal assistance for the construction of water and sanitation systems comparable to other programs already available under Federal law for urban communities.

I firmly believe that this legislation is necessary in order to pick up where the other programs such as the Housing and Urban Development Act of 1965 and the Public Works and Economic Development Act leave off. In other words, now that we have approved legislation providing Federal assistance for water and sanitation facilities for those in the big cities, I believe that it is high time our rural citizens obtain the same assistance for they certainly have as great a need.

Many of our rural communities today simply cannot afford the cost of needed water supply and distribution facilities for many reasons. Low income of many of the prospective users or the high cost of providing distribution systems are indeed severe handicaps. And, of course, the same reasons apply as to why many rural communities could not afford the cost of needed waste disposal systems.

Of particular significance, I think, is the fact that this legislation authorizes the Secretary of Agriculture to make grants to assist in financing up to 50 percent of the cost of these specific projects, which include the development, storage, treatment, purification, or distribution of water or the collection, treatment or disposal of waste in rural areas. This is indeed a step in the right direction. Making this applicable to communities up to 5,500 population is indeed another step in that same direction.

The passage of this rural water and sanitation facilities bill will make it possible for thousands of our communities to have an ample supply of pure water and truly adequate sanitation facilities. Small communities which at present cannot possibly grow due to inadequate water and sanitation systems will have their well-deserved opportunity to make their contribution to the future growth of our Nation.

Mr. Chairman, there is a pressing need for the type of assistance offered by this bill. I know of many communities in my own congressional district of West Virginia which can and will make very good use of this assistance. I whole-

heartedly urge the passage of this legislation.

Mr. COOLEY. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

"(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

"(2) The Secretary is authorized to make grants aggregating not to exceed \$50,000,000 in any fiscal year to such associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed 50 per centum of the development cost of the project to serve the area which the association determines can be feasibly served by the facility and to adequately serve the reasonably foreseeable growth needs of the area.

"(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonably foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water or sewer development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) a. The term 'development cost' means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(b) The term 'project' shall include facilities providing central service or facilities serving individual properties, or both.

"(5) No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water or sewer systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purposes of water and waste disposal projects shall not include any area in any city or town which has a population in excess of 5,500 inhabitants."

Sec. 2. (a) Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such loan is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f)(1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000".

The CHAIRMAN. The Clerk will report the first committee amendment.

The Clerk read as follows:

Committee amendment: On page 3, line 10, strike out the period and insert: "and the Secretary shall establish regulations requiring the submission of all applications for financial assistance under this Act to the county or municipal government in which the proposed project is to be located for review and comment by such agency within a designated period of time."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: On page 4, following line 12, insert the following new paragraph:

"(8) In each instance where the Secretary receives two or more applications for financial assistance for projects that would serve substantially the same group of residents within a single rural area, and one such application is submitted by a city, town, county, or other unit of general local government, he shall, in the absence of substantial reasons to the contrary, provide such assistance to such city, town, county, or other unit of general local government."

The committee amendment was agreed to.

AMENDMENT OFFERED BY MR. DINGELL

Mr. DINGELL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DINGELL: On page 5, after line 3, add a new section (9) as follows: "Provided further, That no Federal funds shall be authorized for use unless it be certified by the appropriate State water pollution control agency that the water supply system authorized will not result in pollution of waters of the State in excess of standards established by that agency.

"In the case of sewers and waste disposal systems, no Federal funds shall be advanced hereunder unless the appropriate State water pollution control agency shall certify that

the effluent therefrom shall conform with appropriate State and Federal water pollution control standards."

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I am happy to yield to the distinguished chairman.

Mr. COOLEY. While I have not been authorized by the committee to accept the amendment, I say to the gentleman that I see no objection to it. So far as I am concerned, I am willing to accept it.

Mr. DINGELL. I thank the distinguished chairman.

(Mr. DINGELL asked and was given permission to revise and extend his remarks.)

Mr. HARVEY of Indiana. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I am happy to yield to the gentleman from Indiana.

Mr. HARVEY of Indiana. This certainly complies with the spirit of what we had in mind. So far as I know, there would be no objection on the minority side.

[Mr. DINGELL addressed the Committee. His remarks will appear hereafter in the Appendix.]

[Mr. CRAMER addressed the Committee. His remarks will appear hereafter in the Appendix.]

The CHAIRMAN. The question is on the amendment of the gentleman from Michigan as amended.

The amendment as amended was agreed to.

PROGRAM FOR BALANCE OF THE WEEK

Mr. ARENDS. Mr. Chairman, I move to strike out the requisite number of words in order that I might ask the majority leader if he will kindly inform us as to the program for the balance of the week.

Mr. ALBERT. Mr. Chairman, will the gentleman yield?

Mr. ARENDS. I yield to the gentleman.

Mr. ALBERT. This, of course, is the last legislative business for today. Tomorrow we have the conference report on H.R. 728 to extend exchange provisions with respect to vessels, which comes from the Committee on Merchant Marine and Fisheries, and S. 306, to amend the Clean Air Act, and H.R. 3140, the Heart, Cancer, and Stroke Amendments of 1965, the rules for which have both been adopted today. I might advise that if we finish this program tomorrow, it will be my intention to ask to go over until Monday.

Mr. ARENDS. I thank the gentleman.

Mr. ALBERT. We will probably take up the heart, cancer, and stroke bill first.

Mr. ARENDS. I thank the gentleman from Oklahoma.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. DANIELS, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 10232) to amend the Consolidated

Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes, pursuant to House Resolution 580, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on passage of the bill.

The question was taken.

Mr. BATTIN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 325, nays 10, not voting 97, as follows:

[Roll No. 322]

YEAS—325

Abernethy	Burton, Calif.	Donohue
Adair	Byrne, Pa.	Dorn
Adams	Byrnes, Wis.	Dow
Addabbo	Cabell	Dulski
Albert	Cahill	Duncan, Tenn.
Anderson, Tenn.	Callan	Dwyer
Andrews, Glenn	Carey	Dyal
Andrews, N. Dak.	Carter	Edmondson
Annunzio	Casey	Edwards, Ala.
Arends	Cederberg	Erlenborn
Ashbrook	Chamberlain	Evans, Colo.
Ashley	Chelf	Everett
Ashmore	Ciancy	Farbstein
Aspinall	Clark	Fascell
Ayres	Cleveland	Feighan
Baldwin	Clevenger	Fisher
Baring	Cohelan	Flood
Bates	Collier	Flynt
Battin	Conable	Fogarty
Beckworth	Conte	Foley
Belcher	Conyers	Ford
Bennett	Cooley	William D.
Berry	Craley	Fountain
Betts	Cramer	Fraser
Bingham	Cuiver	Friedel
Blatnik	Cunningham	Fulton, Pa.
Boland	Curtin	Fuqua
Bow	Daddario	Gallagher
Brademas	Dague	Gathings
Bray	Daniels	Gettys
Brooks	Davis, Ga.	Giamo
Brown, Calif.	Davis, Wis.	Gibbons
Broyhill, N.C.	de la Garza	Gilbert
Broyhill, Va.	Delaney	Gilligan
Buchanan	Dent	Gonzalez
Burke	Denton	Grabowski
Burleson	Devine	Gray
	Dickinson	Green, Oreg.
	Dingell	Green, Pa.
	Doile	Greigg

Grider	Mackay	Rooney, Pa.
Griffin	Mackie	Rosenthal
Griffiths	Madden	Rostenkowski
Gross	Mahon	Roudebush
Grover	Marsh	Roush
Gurney	Martin, Ala.	Roybal
Hagan, Ga.	Martin, Nebr.	Rumsfeld
Hagen, Calif.	Mathias	Ryan
Haley	Matsunaga	Satterfield
Hall	Matthews	St. Germain
Halpern	May	St. Onge
Hamilton	Meeds	Scheuer
Hanley	Michel	Schisler
Hanna	Miller	Schmidhauser
Hansen, Idaho	Mills	Schneebeil
Hansen, Iowa	Minish	Schweiker
Hansen, Wash.	Mink	Secrest
Hardy	Mize	Seiden
Harvey, Ind.	Moore	Shibley
Harvey, Mich.	Moorhead	Sickles
Hathaway	Morgan	Sisk
Hechler	Morris	Skubitz
Helstoski	Morrison	Slack
Henderson	Mosher	Smith, Iowa
Horton	Moss	Stafford
Howard	Multer	Staggers
Hull	Murphy, Ill.	Stalbaum
Hungate	Murphy, N.Y.	Stanton
Huot	Murray	Steed
Hutchinson	Natcher	Stephens
Ichord	Nelsen	Stratton
Irwin	O'Konski	Stubblefield
Jacobs	O'Neal, Ga.	Sullivan
Jarman	O'Neill, Mass.	Sweeney
Jennings	Ottlinger	Talcott
Joelson	Passman	Taylor
Johnson, Calif.	Patman	Teague, Tex.
Johnson, Pa.	Patten	Tenzer
Jonas	Pelly	Thomson, Wis.
Jones, Mo.	Pepper	Todd
Karsten	Perkins	Trimble
Kastenmeier	Philbin	Tunney
Kee	Pickle	Tupper
Keith	Pike	Tuten
Kelly	Pirnie	Udall
King, Calif.	Poage	Ullman
King, N.Y.	Poff	Van Deulin
King, Utah	Pool	Vanik
Kornegay	Powell	Vigorito
Krebs	Price	Vivian
Kunkel	Pucinski	Waggonner
Laford	Purcell	Walker, Miss.
Langen	Quie	Walker, N. Mex.
Latta	Quillen	Watkins
Lennon	Race	Watson
Lipscomb	Randall	Watts
Long, La.	Redlin	Weltner
Long, Md.	Reid, Ill.	Whalley
Love	Reid, N.Y.	White, Idaho
McCarthy	Reifel	White, Tex.
McClory	Reuss	Whitener
McCulloch	Rhodes, Pa.	Whitten
McDade	Rivers, Alaska	Widnall
McDowell	Robison	Williams
McFall	Rodino	Willis
McGrath	Rogers, Colo.	Wilson,
McMillan	Rogers, Fla.	Charles H.
McVicker	Rogers, Tex.	Wright
MacGregor	Ronan	Young
Machen	Roncalio	Zablocki

NAYS—10

Bell	Macdonald	Smith, Calif.
Cameron	Nedzi	Wylder
Curtis	O'Hara, Mich.	
Derwinski	Rooney, N.Y.	

NOT VOTING—97

Abbitt	Duncan, Oreg.	Hosmer
Anderson, Ill.	Edwards, Calif.	Johnson, Okla.
Andrews, George W.	Ellsworth	Jones, Ala.
Bandstra	Evins, Tenn.	Karth
Barrett	Fallon	Keogh
Boggs	Farnsley	Kirwan
Bolling	Farnum	Kluczynski
Boiton	Findley	Landrum
Bonner	Fino	Leggett
Brock	Ford, Gerald R.	Lindsay
Broomfield	Frelinghuysen	McEwen
Burton, Utah	Fulton, Tenn.	Mailiard
Callaway	Garmatz	Martin, Mass.
Celler	Goodeil	Minshall
Clausen, Don H.	Gubser	Moeller
Clawson, Del	Halleck	Monagan
Colmer	Harris	Morse
Corbett	Harsha	Morton
Corman	Hawkins	Nix
Dawson	Hays	O'Brien
Diggs	Hébert	O'Hara, Ill.
Dowdy	Herlong	Olsen, Mont.
Downing	Hicks	Olson, Minn.
	Hollifield	Reinecke
	Holland	Resnick

Rhodes, Ariz.	Sikes	Toll
Rivers, S.C.	Smith, N.Y.	Tuck
Roberts	Smith, Va.	Utt
Roosevelt	Springer	Wilson, Bob
Saylor	Teague, Calif.	Wolff
Scott	Thomas	Wyatt
Senner	Thompson, N.J.	Yates
Shriver	Thompson, Tex.	Younger

So the bill was passed.

The Clerk announced the following pairs:

Mr. Keogh with Mr. Goodell.
 Mr. Kirwan with Mr. Bob Wilson.
 Mr. Hébert with Mr. Martin of Massachusetts.
 Mr. Toll with Mr. Corbett.
 Mr. George W. Andrews with Mr. Callaway.
 Mr. Thomas with Mrs. Bolton.
 Mr. O'Brien with Mr. Smith of New York.
 Mr. Thompson of Texas with Mr. Brock.
 Mr. Farnum with Mr. Del Clawson.
 Mr. Celler with Mr. Gerald R. Ford.
 Mr. Colmer with Mr. Anderson of Illinois.
 Mr. Farnsley with Mr. Findley.
 Mr. Scott with Mr. Utt.
 Mr. Boggs with Mr. Halleck.
 Mr. Moeller with Mr. Ellsworth.
 Mr. Hicks with Mr. Morse of Massachusetts.
 Mr. Roosevelt with Mr. Mailliard.
 Mr. Senner with Mr. Don H. Clausen.
 Mr. Olsen of Montana with Mr. Reinecke.
 Mr. Wolff with Mr. Fino.
 Mr. Bandstra with Mr. Broomfield.
 Mr. Holifield with Mr. Hosmer.
 Mr. Evins of Tennessee with Mr. Minshall.
 Mr. Sikes with Mr. Burton of Utah.
 Mr. Barrett with Mr. McEwen.
 Mr. Nix with Mr. Lindsay.
 Mr. Olson of Minnesota with Mr. Springer.
 Mr. Rivers of South Carolina with Mr. Younger.
 Mr. Downing with Mr. Rhodes of Arizona.
 Mr. Roberts with Mr. Gubser.
 Mr. Harris with Mr. Frelinghuysen.
 Mr. Herlong with Mr. Teague of California.
 Mr. Thompson of New Jersey with Mr. Harsha.
 Mr. Smith of Virginia with Mr. Morton.
 Mr. Monagan with Mr. Wyatt.
 Mr. Tucks with Mr. Shriver.
 Mr. Garmatz with Mr. Hawkins.
 Mr. Kluczynski with Mr. Diggs.
 Mr. Fallon with Mr. Leggett.
 Mr. Corman with Mr. Dawson.
 Mr. Bonner with Mr. O'Hara of Illinois.
 Mr. Hays with Mr. Resnick.
 Mr. Yates with Mr. Karth.
 Mr. Jones of Alabama with Mr. Edwards of California.
 Mr. Landrum with Mr. Duncan of Oregon.
 Mr. Fulton of Tennessee with Mr. Holland.
 Mr. Abbitt with Mr. Dowdy.
 Mr. Fulton of Tennessee with Mr. Johnson of Oklahoma.

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

The SPEAKER. Pursuant to the provisions of House Resolution 580, the Committee on Agriculture is discharged from further consideration of the bill (S. 1766).

The Clerk read the title of the Senate bill.

The Clerk read the Senate bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

"(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide

for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

"(2) The Secretary is authorized to make grants aggregating not to exceed \$25,000,000 in any fiscal year to such associations to finance specific projects for works for the storage, treatment, purification, or distribution of water in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed the lesser of (i) 50 per centum of the development cost of that portion of the facility necessary to enable the project to serve the area which can be feasibly served by the facility and to adequately serve the reasonable foreseeable growth needs of the area, or (ii) that portion of the development costs which are above the probable ability of the association to repay a loan for such purposes from income or assessments levied at a rate or charge for service within the ability of a majority of the users to accept and pay for such service and maintain a reasonable standard of living: *Provided, however,* That in determining the ability of a public body to repay, consideration shall be given to any applicable legal debt ceiling or tax or assessment limits and to any other improvements contemplated to be financed within those limits.

"(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonable foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) The term 'development cost' means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(5) No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purpose of water systems, shall include any area primarily engaged in or associated with agriculture and not having a population in excess of five thousand inhabitants."

SEC. 2. Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f)(1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000".

AMENDMENT OFFERED BY MR. POAGE

Mr. POAGE. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. POAGE: Strike out all after the enacting clause and insert the following:

"That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

"(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

"(2) The Secretary is authorized to make grants aggregating not to exceed \$50,000,000 in any fiscal year to such associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed 50 per centum of the development cost of the project to serve the area which the association determines can be feasibly served by the facility and to adequately serve the reasonably foreseeable growth needs of the area.

"(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonably foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water or sewer development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located and the Secretary shall establish regulations requiring the submission of all applications for financial assistance under this Act to the county or municipal government in which the proposed project is to be located for review and comment

by such agency within a designated period of time. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) a. The term "development cost" means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(b) The term "project" shall include facilities providing central service or facilities serving individual properties, or both.

"(5) No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water or sewer systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purposes of water and waste disposal projects shall not include any area in any city or town which has a population in excess of 5,500 inhabitants."

"(8) In each instance where the Secretary receives two or more applications for financial assistance for projects that would serve substantially the same group of residents within a single rural area, and one such application is submitted by a city, town, county or other unit of general local government, he shall, in the absence of substantial reasons to the contrary, provide such assistance to such city, town, county, or other unit of general local government.

"(9) Provided further, That no Federal funds shall be authorized unless it be certified by the appropriate State water pollution control agency that the water supply system authorized will not result in pollution of waters of the State in excess of standards established by that agency.

"In the case of sewers and waste disposal systems, no Federal funds shall be advanced hereunder unless the appropriate State water pollution control agency shall certify that the effluent therefrom shall conform with appropriate State and Federal water pollution control standards, when and where established.

"Sec. 2. (a) Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

"(1) striking out '\$200,000,000' and inserting in lieu thereof '\$450,000,000';

"(2) in clause (a) striking out 'except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note'; and

"(3) striking out clause (b) and inserting in lieu thereof '(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan'.

"(b) Section 309(e) of such loan is amended by striking out 'such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge' and inserting in lieu thereof 'all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge'.

"(c) Section 309(f)(1) of such Act is amended by striking out '\$25,000,000' and inserting in lieu thereof '\$50,000,000'.

"Amend the title so as to read: 'An Act to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.'"

The amendment was agreed to.

The Senate bill was ordered to be read a third time, was read the third time, and passed.

The title was amended so as to read: "An Act to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, the for other purposes."

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. POAGE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the subject matter of H.R. 10232.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

ADJOURNMENT TO 11 A.M. TOMORROW

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. HALL. Mr. Speaker, reserving the right to object, I make the usual inquiry. Has this been cleared?

Mr. ALBERT. This was cleared with the gentleman from Illinois [Mr. ARENS], the Republican whip.

Mr. HALL. Did I correctly understand the distinguished majority leader to say that we will consider H.R. 3140 first?

Mr. ALBERT. We will take up a conference report first and then the heart, cancer, and stroke bill.

Mr. HALL. After that, if we complete the now scheduled bills, the one on wheat having been put over—

Mr. ALBERT. It will not be called up this week.

Mr. HALL. Then we will or we will not have a meeting on Saturday?

Mr. ALBERT. If we finish the program tomorrow, we will not meet on Saturday.

Mr. HALL. Mr. Speaker, I withdraw my reservation.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

AUTOMOBILE AND BEAUTIFICATION FUND

(Mr. SAYLOR asked and was given permission to extend his remarks at this point in the Record and include extraneous matter.)

Mr. SAYLOR. Mr. Speaker, proposals to set up an automobile and beautification fund through retention of a portion of the present excise tax on new cars should be considered seriously by this Congress before the end of the present session. An accumulation of from 30 to 40 million old cars has produced thousands of unsightly junk piles around the country, and something has to be done about them and the 5 million other cars that are being assigned to auto graveyards each year.

Among the suggestions for disposing of old cars are those to dump them into lakes and oceans or bury them underground. While these ideas may have merit, I would question the advisability of disposing beyond recovery of a commodity whose manufacture required the use of irreplaceable natural resources. Rather, let us have science and research take a good look at the problem and find out whether it might not be possible to salvage the steel and whatever other parts might still have economic value.

I recognize that because of the use of richer raw materials in blast furnaces, scrap prices have dropped to a point where junk dealers find it unprofitable to dismantle the cars in order to get to the steel. Yet there may come a time when scrap will again be in great demand and, in fact, vital to the national security. When a country depends upon foreign sources for a substantial part of its iron ore supplies in a period of international crisis, it must be prepared for the cutoff that would come at a moment's notice. Regardless of how friendly we may be with those nations rich in iron ore, a general outbreak of hostilities could completely interrupt ocean traffic. I assume that the various departments and offices of Government charged with dealing in production and supply problems during emergencies are prepared to answer all questions relating to steel output, but what we need to establish is whether plans include the salvaging of old automobiles that are now available in just about the most accessible places next to our towns and highways.

This information should be developed at hearings on auto junkyard legislation. At the same time it would be possible to determine just how effective and economical are the various methods of reducing scrapped autos into compact cubes of steel that could be easily stored for emergency purposes. Congress will also be interested in hearing about the process that turns car bodies into steel shavings, as well as the "proliferation" of stripped cars into pellets that can be used in steel production. I am including

as a part of my remarks an article from *Consol News* on this subject, entitled "Cash in Those Eyesores":

CASH IN THOSE EYESORES

There's gold in those automobile graveyards—potentially, at least. That's the word from the U.S. Bureau of Mines, which has a process under development that may be used to convert these national eyesores into assets. And there's certainly no scarcity of rusty automobile bodies. They litter America's roadsides from coast to coast.

The new process holds hope for a practical method of using metal from junked autos in treating a now useless type of iron ore to make it a suitable feed for blast furnaces. The ore is called nonmagnetic taconite. If the Bureau's process can be used to bring it into production, millions of tons of unsightly scrap cars will be consumed each year.

Nonmagnetic taconite isn't currently used by the iron industry because it doesn't respond to magnetic separation, the most widely accepted method of removing iron oxide from associated ore minerals. Norwood B. Melcher, research director of the Bureau's Metallurgy Research Center in Minneapolis, explained how the process would make the taconite magnetic through chemical reaction with scrap metal.

Mr. Melcher told the Institute of Scrap Iron and Steel at Miami, Fla., that Bureau metallurgists have capitalized on the tendency of scrap iron to assume an ugly coat of rust. When mixed with nonmagnetic taconite and heated, the scrap "rusts" rapidly. That is, it absorbs oxygen from the ore, causing the latter to change its molecular structure and become magnetic.

In addition, Mr. Melcher said, the rust itself can be removed magnetically when the treatment is over and sent to a blast furnace for iron-making. The rust is chemically identical to the iron oxide portion of the ore. This "rust bonus" will increase the value of scrap sold for ore treatment purposes. He estimates that every ton of scrap used in the process would form 1.4 tons of valuable rust.

Our roadside clunkers have enemies in high places. No less a personage than President Johnson has publicly called for their elimination. He said that the First Lady is even more impatient than he about cleaning up our littered highways. And coal men have more than casual interest in getting rid of our abandoned automobiles. The scrapped car bodies are mixed with a coal product (coke), among other things, for feeding the blast furnaces. The fact that the process was developed by the U.S. Bureau of Mines is also significant.

Mr. Melcher estimates that one medium-sized plant using the Bureau of Mines process would produce 5 million tons of taconite ore concentrate per year and would consume about 600,000 tons of scrap annually. This is welcome news to scrap dealers because their markets have been reduced greatly since the peak years of the 1950s. Metal producers often find that it costs more now to sort scrap and remove alloy constituents than to start from scratch with ore.

As a result, scrap prices fall as supplies pile up. The piles of old cars are a double liability whose esthetic appeal is even lower than their market value. Public criticism of auto graveyards is increasing, and efforts are being made to find some way of eliminating them.

Development of a sizable market for these metal hulks will go a long way toward solving the problem. And Secretary of the Interior Stewart L. Udall said, "As a conservation dividend, the process also can be a valuable weapon in our war against ugliness and in the development of the beautiful America called for by President Johnson."

Mr. Speaker, I support the legislation to divert 1 percent of the excise tax on new car purchases for the establishment of a fund to get rid of auto junk piles, but I would recommend that as much as half of the \$200 million raised by this method be used for research to determine whether these old cars have further economic value. We must do away with the auto graveyards, but we cannot afford to bury economic potential in the process.

THE KU KLUX KLAN, THE INVISIBLE EMPIRE

(Mr. WELTNER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WELTNER. Mr. Speaker, on September 21, millions of Americans watched the excellent television documentary produced by "CBS Reports" entitled "The Ku Klux Klan, the Invisible Empire." It was a revealing and sometimes shocking portrait of the secret terror society that has plagued the Nation over the last century.

"CBS Reports" has performed a valuable public service in producing and exhibiting this authoritative film, and I wish to commend Producer David Lowe, Executive Producer Palmer Williams, Associate Producer Noel Paymental, and Correspondent Charles Kuralt.

Anyone who saw that report saw the truth about the Ku Klux Klan. And the truth should destroy any illusion about the Klan's pretense of patriotism, democracy, Christianity, and devotion to law and order.

The Klan is as faithful to the ideals of America as the Communist Party, and as true to the democratic process as the John Birch Society. It displays as much Christian concern for mankind as the Black Muslims, and as much devotion to law and order as the American Nazi Party.

Early next month, the House Un-American Activities Committee will begin public hearings on the Ku Klux Klan. The Klan will then be bared for all to see.

Truth, amply imparted to the people, will be an effective remedy.

DISTRICT OF COLUMBIA HOME RULE

(Mr. PELLY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PELLY. Mr. Speaker, before the necessary signatures were obtained to discharge the District of Columbia home rule bill, I announced to the House that, however much I would like to support home rule, unless the annual Federal payment to the District was subject to a congressional appropriation as provided by the Constitution, I would have to vote against the bill.

Since then frankly, I have been active in opposition to this provision in the bill.

The announcement yesterday that a bipartisan bill had been agreed to which

would provide that the annual Federal payment to the District would be subject to regular congressional scrutiny and appropriations, is good news indeed.

If this new language is substituted for the original bill when the matter comes up on Monday, my objection will have been overcome. In that case, consistent with the historic position and platform of the Republican Party, I will vote for the bill.

(Mr. FINDLEY (at the request of Mr. REID of New York) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

[Mr. FINDLEY'S remarks will appear hereafter in the Appendix.]

DEAN RUSK AND U.S. POLICY

(Mr. DICKINSON (at the request of Mr. REID of New York) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. DICKINSON. Mr. Speaker, I am shocked that the Secretary of State has not apologized to the Congressman from San Diego, the Honorable BOB WILSON, for writing him a caustic letter denying that he, Dean Rusk, had likened the Red Chinese to the American patriots of 1776 in a Philadelphia speech during 1950.

Secretary Rusk apparently has taken the stand that the fact both competing papers—the Philadelphia Bulletin and the Inquirer—printed at the time that Mr. Rusk said just that does not make it true. The Secretary of State, in effect, takes the line that these newspapers do not report the truth.

So, Mr. Speaker, I want to note that Mr. Rusk's boss at the time, President Harry Truman, wrote in his memoirs—page 426, volume II, Signet edition—that Dean Rusk, then Assistant Secretary of State for Far Eastern Affairs, took the lead in preventing MacArthur's bombing of the Yalu River bridges over which the Red Chinese were pouring to kill and maim American boys. President Truman wrote:

Dean Rusk pointed out that we had a commitment with the British not to take action which might involve attacks on the Manchurian side of the river without consultation with them.

Mr. Speaker, there is a deadly significance in how history repeats itself.

Dean Rusk presided over the Korean war stalemate which he helped create as Assistant Secretary of State and he stood against bombing the Yalu bridges. Today, that same Dean Rusk presides over the unending Vietnam war and we are not bombing the Red installations on the outskirts of, and in, Saigon where the Red supply effort centers. Why? Because Dean Rusk thinks the Red Chinese are like our boys of '76?

Mr. Speaker, this is a deadly parallel because again American boys are dying and being maimed.

Mr. Speaker, in my one district I have, in the past 2 weeks, had the unhappy

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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HIGHLIGHTS: Senate concurred in House amendments to Aiken-Poage water-loans bill.
Senate agreed to conference report on poverty bill.

SENATE

1. WATER; LOANS. Concurred in the House amendments to S. 1766, the Aiken-Poage water-loans bill. This bill will now be sent to the President. The bill authorizes the Department to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste-disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with construction of such community facilities. It also increases the authorization for insured real estate loans from \$200,000,000 to \$450,000,000. pp. 24223-4
2. POVERTY. By a 46-22 vote, agreed to the conference report on H. R. 8283, to make various amendments to the Economic Opportunity Act. This bill will now be sent to the President. pp. 24194-6, 24198-216, 24220-7
3. STOCKPILE. Passed without amendment H. R. 10516, to authorize disposal of vegetable tannin extracts from the national stockpile; and as reported H. R. 6852, to authorize disposal of abaca from the stockpile. pp. 24233-4

4. HEMISFAIR. H. R. 9247, to provide for participation in the HemisFair of 1968, was made the unfinished business. pp. 24235-6
5. ADJOURNED until Tues., Sept. 26. p. 24252

HOUSE

6. AIR POLLUTION. Passed with amendments S. 306, to amend the Clean Air Act to require standards for controlling the emission of pollutants from gasoline-powered or diesel-powered vehicles, and to establish a Federal Air Pollution Control Laboratory. pp. 24144-67
Rep. Scheuer stated that there is an increasing need to keep informed of the major developments occurring daily in the field of air and water pollution. pp. 24176-77
7. CONTINUING APPROPRIATIONS. Agreed to make in order next week the consideration of a joint resolution making continuing appropriations for fiscal year 1966. pp. 24167-68
8. RIVERS-HARBORS; FLOOD CONTROL. Conferees were appointed on the rivers-and harbors and flood-control bill, S. 2300. Senate conferees have already been appointed. p. 24169
9. FARM PROGRAM. Rep. Andrews, N. Dak., stated that continuing rain poses a great loss in N. Dak.'s spring wheat crop and urged USDA to "hold back marketing of CCC wheat in order to maintain the better cash market position that will in a small way compensate...for the fewer bushels they will harvest." pp. 24170-1
The "Daily Digest" states that "Conferees continued in executive session to resolve the differences between the Senate- and House-passed versions of H. R. 9811," the farm bill, "and will meet again tomorrow." p. D963
10. SUGAR. Rep. Findley stated that "the cost of the Sugar Act proposal...is staggering," but an aspect "far more distressing than the cost to consumers is the influence of lobbyists," and inserted from the Congressional Quarterly brief sketches of the foreign sugar lobbyists. pp. 24174-75
11. LEGISLATIVE PROGRAM. Rep. Albert announced that next week's program will include the federal pay bill, the highway beautification bill, and the sugar bill. p. 24169
12. ADJOURNED until Mon., Sept. 27. p. 24192

ITEMS IN APPENDIX

13. ELECTRIFICATION; FLOOD CONTROL. Speech in the House by Rep. Dent during debate on the public works bill in which he suggested a careful examination of the proposed power development on the St. John River. pp. A5411-2
14. LOANS. Speeches in the House by Reps. Cooley, Latta, Cramer and Dingell, during debate on the FHA water-loans bill. pp. A5422, A5423, A5429
15. FARM PROGRAM. Extension of remarks of Rep. Morrison commending Secretary Freeman as "one of our greatest agriculture leaders in all of our history" and inserting the Secretary's La. speech, "The Coming Decade In Agriculture." pp. A5423-5

Mr. PROUTY. And explain to them that a vote will occur very soon.

Mr. MANSFIELD. Exactly.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. BARTLETT in the chair). Without objection, it is so ordered.

Mr. MURPHY. Mr. President, I ask unanimous consent to have printed in the RECORD at this point an article entitled "Poverty and Politics," written by Rowland Evans and Robert Novak and published in the Washington Post on Sunday, August 22, 1965.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

POVERTY AND POLITICS—ADMINISTRATION SOUGHT TO BEAT BAN ON POLITICS IN SPITE OF CONTRARY PUBLIC COMMENTS

(By Rowland Evans and Robert Novak)

In conflict with public utterances that it wants the poverty program divorced from politics, the Johnson administration attempted a futile fight against such a prohibition.

The poverty bill passed last week by the Senate puts all local poverty workers under the Hatch Act. That means Federal law—not merely agency regulations—will bar local poverty officials from partisan politics.

This amendment to the Poverty Act, sponsored by Senator GEORGE MURPHY, Republican, of California, zipped through the Senate Labor Committee and the Senate itself without apparent opposition.

Behind the scenes, however, two Democratic Labor Committee members were asked privately by the White House to kill the Murphy amendment. One was summoned from a Labor Committee meeting by an urgent telephone request.

Although they usually follow the administration line, the two Senators turned down the White House. They actively supported the Murphy amendment. Consequently, the White House made no public fight.

What makes this particularly interesting are public utterances of poverty chief Sargent Shriver and other officials when confronted with examples of local poverty workers playing politics (including the case we reported of a Philadelphia antipoverty leader lobbying in Harrisburg).

These Federal officials said they would prevent such conduct if Congress would write a prohibition into law.

Hence, the administration's veiled effort to block the prohibition comes as a surprise.

Mr. DOMINICK. Mr. President, I have a short item which I think is of interest in connection with the debate we are having today. It is a news ticker item, and reads as follows:

News conference, 11 a.m.: Three Job Corpsmen joining the private business firm of the Mechanical and Engineering Service Division, Consolidated American, suite 200, 1726 M Street N.W. Subject: These are reported to be the first Corps trainees to go to work outside. Press contact: W. C. Hobbs, 659-1990.

This is ironic. The organization has been in operation for about a year. I do not know how many people have gone to Job Corps camps, but I believe they number in the hundreds, if not in the thousands.

Finally, three Job Corpsmen, in a great publicity announcement, are going to get a job with a private business firm, after having had some Job Corps training.

THE WAR ON POVERTY IS NOW FREE FROM THE TYRANNY OF THE GOVERNOR'S VETO

Mr. YARBOROUGH. Mr. President, as one of the Senate conferees with the House on the 1965 antipoverty law, I wish to note that the bill as finally agreed upon effectively curtails the power of Governors to frustrate the purposes of the war on poverty.

Under the new law the Governor of a State will have 30 days in which to study a Neighborhood Youth Corps, community action program, or adult basic education program. If he vetoes a project, the Director of the Office of Economic Opportunity will reconsider the application, and if he finds it to be consistent with the provisions and in furtherance of the purposes of the war on poverty, he shall override the Governor's veto and the project will go forward.

In other words, under this bill the Director of OEO can veto the Governor's veto. A Governor no longer has a final veto. He can delay but he cannot kill or destroy a program, as he could under the old law.

While most Governors in the Nation cooperated with and supported the antipoverty program so well that no curtailment of the Governor's veto power would have been thought of or necessary, a few Governors in the United States vetoed projects, or held them up, or purged participants under the threat of a complete veto. It was the crippling actions of a few Governors which have caused this veto power to be taken away from the Governors of all 50 States, most of whom did not misuse this power.

A few Governors have used veto power to cut wages down on projects, to purge people they did not like from serving on local boards on projects, and in one extreme to absolutely veto an 11-county rural antipoverty project, said to be the best planned rural antipoverty project in America. It was such irresponsible action that forced me to devote much time to aid in eliminating the Governor's unrestricted veto over poverty projects, which has now been done.

This antipoverty bill, by ending irresponsible and unreviewable Governor's vetoes, and making every such veto subject to administrative review in Washington, has greatly strengthened this antipoverty law.

We are now entering the second year of the war on poverty. The first year of our campaign has produced good results, considering the unique nature of what we are attempting to do here, and the shortness of time available. But weaknesses have become apparent. If we can correct these, and if those who administer the program will go forward with dedication and imagination, willing to try new things, as I know many of them already are, this program can make a great contribution to the continuing American revolution, which has always stood for justice and equal opportunity for all Americans.

AMENDMENT OF CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 1766) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes, which were to strike out all after the enacting clause and insert:

That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

"(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

"(2) The Secretary is authorized to make grants aggregating not to exceed \$50,000,000 in any fiscal year to such associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed 50 per centum of the development cost of the project to serve the area which the association determines can be feasibly served by the facility and to adequately serve the reasonably foreseeable growth needs of the area.

"(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonably foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water or sewer development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located and the Secretary shall establish regulations requiring the submission of all applications for financial assistance under this Act to the county or municipal government in which the proposed project is to be located for review and comment by such agency within a designated period of time. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

"(4) a. The term 'development cost' means the cost of construction of a facility and the

land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"(b) The term 'project' shall include facilities providing central service or facilities serving individual properties, or both.

"(5) No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water or sewer systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purposes of water and waste disposal projects shall not include any area in any city or town which has a population in excess of 5,500 inhabitants."

(8) In each instance where the Secretary receives two or more applications for financial assistance for projects that would serve substantially the same group of residents within a single rural area, and one such application is submitted by a city, town, county or other unit of general local government, he shall, in the absence of substantial reasons to the contrary, provide such assistance to such city, town, county or other unit of general local government.

(9) *Provided further*, That no Federal funds shall be authorized for use unless it be certified by the appropriate State water pollution control agency that the water supply system authorized will not result in pollution of waters of the State in excess of standards established by that agency.

In the case of sewers and waste disposal systems, no Federal funds shall be advanced hereunder unless the appropriate State water pollution control agency shall certify that the effluent therefrom shall conform with appropriate State and Federal water pollution control standards when and where established.

SEC. 2. (a) Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

(b) Section 309(e) of such loan is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loan; and any remainder of any such charge".

(c) Section 309(f)(1) of such Act is amended by striking out "\$25,000,000" and inserting in lieu thereof "\$50,000,000".

And to amend the title so as to read: "An Act to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect

to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes."

Mr. AIKEN. Mr. President, I move that the Senate concur in the amendments of the House.

The motion was agreed to.

Mr. MANSFIELD. Mr. President, will the Senator from Vermont yield?

Mr. AIKEN. I yield.

Mr. MANSFIELD. Is this the Aiken water bill which was introduced and cosponsored by 93 Senators?

Mr. AIKEN. This is the multiple-sponsored rural water facilities bill.

Mr. MANSFIELD. I move that the vote by which the House amendments were concurred in be reconsidered.

Mr. AIKEN. Mr. President, I move that the motion to reconsider be laid on the table.

The motion to lay on the table was agreed to.

Mr. BASS. Mr. President, will the Senator from Vermont yield?

Mr. AIKEN. I yield.

Mr. BASS. As one of the cosponsors of the Aiken water bill, I commend the Senator from Vermont for the outstanding work he has done, and express my personal appreciation to him for passage of this bill.

Mr. AIKEN. I thank the Senator from Tennessee. He was one of the earliest cosponsors of the bill, which was sponsored by 63 Democrats and 30 Republicans.

Mr. BASS. It is called the Aiken-Bass bill.

Mr. AIKEN. I appreciate the compliment, and I accept it.

ON THE SUBJECT OF LOYALTY

Mr. ALLOTT. Mr. President, on September 16, 1965, Lt. Gen. Thomas S. Moorman delivered an address at the Air Force Academy at Colorado Springs, Colo., on the subject of loyalty.

While in this day and age, as he points out, loyalty is supposed to be a very common subject to talk about, which is supposed to be much understood, General Moorman has been successful in defining and analyzing the components of loyalty, and what it means, especially to the members of the Armed Forces.

Mr. President, I ask unanimous consent to have this address printed in the RECORD, and I recommend its reading to all Senators.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

REMARKS BY LT. GEN. THOMAS S. MOORMAN FOR AIR FORCE ACADEMY OFFICERS' DINING-IN, SEPTEMBER 16, 1965

My remarks this evening will be directed to the subject of loyalty. Because the subject does not lend itself easily to levity, it could become deadly dull. Loyalty, as with patriotism and national pride, is a subject that is too often approached with pomposity or embarrassment. Neither is fitting, and I shall attempt to avoid both pitfalls.

Because loyalty is a word so common, it is often misunderstood. As with so many other things that are present in our everyday lives, even its meaning is perhaps misunderstood.

Webster defines "loyalty" as the act of being faithful to a cause, an ideal, a custom or a person and goes further in definition with two phrases—in this order:

Faithful in allegiance to one's government; Faithful to a private person to whom loyalty is due.

In selecting that descending order of importance on things to whom loyalty is due, I believe the compilers of the dictionary have unveiled the key to true loyalty.

First, loyalty to our Nation and its national purposes. Next, to our service, its mission and customs. Then to our own organization or unit. And, lastly, to each other.

In our growth as individuals as well as members of the military, we find that we build our loyalties in reverse order. Our initial loyalty as youngsters was to our parents, our brothers and sisters, our immediate family. Then, as we grew older, our loyalties extended to our school, our city, and our State.

This is a normal progression.

It has been said that in all human enterprises, the whole is greater than the sum of its parts. This is certainly true in the military service. We join a new unit. We gain respect for our fellow airmen and our commander. We then progress from respect to loyalty to these individuals. As we become more knowledgeable concerning the purposes of our unit and our service, we gain a greater respect for them and transfer our greater loyalty to them. Thus it is that in the final analysis, our greatest loyalty should, and must, be to our national goals and purposes.

We cannot be loyal to that which we do not understand, respect and believe in. It is through this pattern that the proper order of loyalties is established and maintained.

You will remember that the White Committee pinpointed as a contributing factor in the cheating incident the fact that there was confusion in the minds of the individual cadets as to the mission of the Academy. This led to a situation in which cadet loyalties were brought into conflict with one another. The respect, understanding, transference pattern broke down. In the final analysis, faced with a choice between loyalty to other individuals or loyalty to the honor code and thus to the Academy's mission, the Air Force and the Nation, the cadet chose loyalty to other individuals as his course of action.

If we are to instill this pattern as our way of life, we must understand the meaning behind our national purpose and respect the reasons for that purpose.

The cause we serve would not be loyally served if ours was a blind, unquestioning obedience.

The great danger and tragedy of the Communist movement is the fact that it has become a perfect instrument for a fanatical and insensitive loyalty.

The military has been included among the three great dedicated callings of our time. The other two are the religious and the educational. In our capacity as members of the staff and faculty at the Air Force Academy, we find that our endeavors really place us within the parameters of two of these callings.

It is certainly not chance that has molded these callings into similar structures. The growth of the professional scale and the knowledge of any individual who enters the callings is designated by a grade, a title that we call rank, and that these ranks have universal meaning, not only within a given society or culture but within any society or culture, for these professions have similar characteristics in all societies and cultures.

took the trouble of making a little investigation on my own. I did not go to the Republican Congressional Committee or the Republican National Committee or any other partisan sources to get these facts. I turned to the Economic Report of the President of the United States filed with the Congress in January of 1965.

I find on page 248 in table B-49 of that Economic Report that during the Eisenhower 8 years the average interest or cost to the Government on 90-day Treasury bills was 2.34 percent. But during the 4 following years under administrations of the late President Kennedy and President Johnson the average interest on 90-day Treasury bills amounted to 2.96 percent, an increase of more than one-half of 1 percent over the average of the 8 Eisenhower years.

These are not long-term commitments that were made by the previous administration; these are 90-day Treasury bills. If you want to consider long-term bond yields you will find a similar situation. Over the 8 Eisenhower years you can see from the table, in the President's Economic Report, that the average interest paid by the U.S. Government on 3- to 5-year bond issues amounted only to 3.09 percent, while the average during the next 4 Kennedy-Johnson years increased to 3.73 percent.

And if you consider taxable bonds you will find that during the 8 Eisenhower years the interest averaged 3.30 percent whereas during the following 4 Kennedy-Johnson years the average interest paid by the Government on taxable bonds increased to 4 percent.

So, Mr. Chairman, the members of the committee can see from that table, if they will look at it, that instead of reducing interest upon the change of administrations, interest rates have gone up and have continued to go up and we are paying today, on September 15, 1965, the latest date on which I could get any figures, interest on long-term issues at the average rate of 4.30 percent.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I shall yield to the gentleman from Texas when I conclude my statement. I would prefer not to be interrupted right at this time. But I shall yield to the gentleman after I finish this statement.

Mr. Chairman, I also find the facts to be that it was under the administration of President Truman in 1951 when the Federal Government, through the Treasury Department and the Federal Reserve Board, entered into an accord which discontinued the price support of U.S. bonds at par. It was that accord, which was entered into under the administration of President Truman, that caused bonds not to be redeemable at par on a moment's notice. The purpose was to have U.S. bonds sell on the open market at the market price rather than be supported at par by the Government.

But my point is that the statement made by the distinguished chairman of the Committee on Banking and Currency would indicate that the Federal Reserve Board, up until the Eisenhower administration, kept the interest cost down and the price of Government bonds at

par. But the fact is that the Government discontinued the support of U.S. bonds at par in 1951 under the administration of former President Truman.

I also would call attention—and I believe the Record should show—that President Truman appointed Mr. Martin Chairman of the Federal Reserve Board. Mr. Eisenhower did not discover him or bring him out of nowhere and put him in charge of the Federal Reserve Board. He was designated Chairman of that Board by President Truman, was continued in that position by President Eisenhower, and continued in it again by President Kennedy.

So, Mr. Chairman, if the gentleman from Texas has any critical comments to make about the Chairman of the Federal Reserve Board, and I certainly do not, I say to him that Mr. Martin was first brought to the Federal Reserve Board chairmanship by President Truman, and the late President Kennedy continued him in that high office.

I would also like to comment apropos of the statement of the gentleman from Texas that the Federal debt would probably be \$600 billion now if the Eisenhower administration had remained in power, that the truth of the matter is that on January 22, 1961, when the Eisenhower administration went out of power, the interest-bearing public debt of the Government of the United States, was \$290 billion, and just 4 years later it had gone up to \$319 billion.

I would further comment that on January 22, 1961, we had gold assets in this country amounting to \$17.504 billion. Those gold assets on July 1, 1965, are down to \$13.9 billion, about \$4 billion less in gold.

I would call attention to the fact that the interest on the national debt has gone up during these past 4½ years from about \$9 billion to about \$11.5 billion. So when discussion about who is responsible for increasing the national debt and for high-interest rates, the whole record should be considered instead of oratory and unsupported charges.

In conclusion, I would like to call the attention of the committee to the fact that on August 10, 1965, Mr. Eugene Foley, Administrator of the Small Business Administration, issued a circular stating that the Small Business Administration will soon announce a decision to sell direct and immediate participation loans to private purchasers, and I quote this sentence from his announcement:

Buyers will be permitted to charge up to 7½-percent interest, but in accordance with original rates determined by SBA.

I would like to ask the gentleman from Texas, the guardian of low-interest rates in this country, is he going to stand for the Small Business Administration permitting private investors to charge small business concerns who obtain small business loans 7½-percent interest? No such interest as that was charged under the Eisenhower administration by the Small Business Administration.

I think the entire record on this subject of interest rates ought to be considered. I may say to the gentleman from Texas I have great respect for him but, unfortunately, I cannot agree with the statements he made in his speech on the

floor on September 13, and I have cited the record to show how erroneous some of his statements were.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from Texas.

Mr. PATMAN. I hope the gentleman will not question the fact that from the time the Eisenhower administration came in there was a demand to increase interest rates quickly, and by reason of that it caused three depressions in 8 years by increasing interest rates.

Mr. JONAS. I may say to the gentleman that is his opinion. I am quoting figures. If the gentleman has figures to show interest rates have gone down under the Kennedy-Johnson administration, I would like to see them.

If the gentleman has figures to show average interest rates have gone down since Eisenhower left office, I will be glad to have them put in the Record; but the mere statement by the gentleman that interest policies under the Eisenhower administration caused depressions is subject to debate. The figures I have cited speak for themselves and need no debate to sustain them.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. JONAS. I yield to the gentleman from Missouri.

Mr. CURTIS. The gentleman from North Carolina is giving statistics. The gentleman from Texas is confused by the statistics, and resorts to argument and disregards those statistics. I say to the gentleman, put your figures in occasionally.

Mr. PATMAN. I will be glad to do that. And if Mr. Eisenhower had kept interest rates as they were when he came in, over a period of 15 years our national debt would have been \$40 billion less. The interest rate would be \$6 billion a year.

Mr. JONAS. Then why did not the interest rates go down when the Kennedy administration assumed office?

Mr. PATMAN. Because you cannot turn too quickly that way on interest rates. It requires time to do it.

Mr. JONAS. On 90-day Treasury notes?

Mr. PATMAN. That was because the Congress passed a law making average interest rates apply in certain agencies.

Mr. JONAS. Who was in charge of that Congress?

Mr. PATMAN. The Congress did that.

Mr. JONAS. I mean who was in control?

Mr. PATMAN. I do not know—but you probably voted for it.

Mr. JONAS. I am sure the gentleman knows that his party has controlled Congress since January 1955.

Mr. PATMAN. I did not say the gentleman did but the Congress passed the law, then the Federal Reserve established the interest rates that enabled the average rate to go up to nearly as much as long-term rates, which I think was terrible.

I would like now to answer the statement about Mr. Truman appointing Mr. Martin and also Mr. Kennedy appointing him.

Amending the Consolidated Farmers Home Administration Act of 1961

SPEECH
OF

HON. DELBERT L. LATTA

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, September 23, 1965

(Mr. LATTA asked and was given permission to revise and extend his remarks.)

Mr. LATTA. Mr. Speaker, I yield myself such time as I may require.

I concur with the statements made by my friend from California [Mr. SISK], on the rule and also the statement made by my friend from California [Mr. SMITH]. Insofar as I remember, nothing was said about waiving points of order when the matter was before the Rules Committee. Frankly, I do not know of any objection to the rule as presented other than this matter of waiving points of order.

I believe it is in order to say a few more words about this bill, H.R. 10232, which seeks to amend the Consolidated Farmers Home Administration Act of 1961 in two important areas. First, it would inaugurate, as the gentleman from California [Mr. SISK] has pointed out, a program of Federal assistance to rural communities not over 5,500 in population for the construction of water, sewage, and sanitary systems comparable to those programs already in being for our urban areas.

The amount of any grant cannot exceed 50 percent of the development cost of the project. It cannot be made to any area where the population is likely to decline below that for which the facility is being designed.

The bill would authorize the Secretary to make grants aggregating not more than \$50 million annually.

In view of the fact that the report itself reveals that these facilities have an average cost of approximately \$120,000, \$50 million per year will not begin to meet the needs of the 30,000 rural communities now in need of new water and sanitation systems, as revealed in the report itself.

I might say, in commenting upon this matter that has been raised by the gentleman from Iowa [Mr. GROSS], that I disagree with the inclusion in this bill of granting authority for collection, treatment, or disposal of waste in rural areas, and I would hope that when this matter is considered under the amendment procedures, that provision will be stricken out.

The second section of the bill would increase the real estate and related loan authority of the Farmers Home Administration of \$200 million per year to \$450 million per year. It would repeal provisions prohibiting agreements by the Secretary to purchase such insured loans in less than 3 years from the date of the note. It would permit the Secretary to fix the insurance charge retained by him from the power payments, and would increase the amount of loans made from the insurance fund which the Secretary

can hold at any one time for future sale from \$25 to \$50 million.

In passing, let me say that I was disappointed to learn during the hearings on the bill before the Rules Committee that the Farmers Home Administration had made approximately 160 recreational loans under this act. I do not hesitate to say that I cannot see how our farmers of the Nation have benefited by such loans as the loans for the construction of golf courses. I would hope that the administration would pay a little closer attention to the intent of Congress in making these loans in the future.

Mr. Speaker, I have no further requests for time.

Mr. GROSS. Mr. Speaker, will the gentleman yield to me?

Mr. LATTA. I am happy to yield to the gentleman from Iowa.

Mr. GROSS. I do not like this rule waiving points of order. I hope the previous question will be voted down so that an amendment can be offered to the rule to take out the provision waiving points of order in the rule. I expect that there will be a vote on the rule.

Rural Water and Sanitation Facilities

SPEECH
OF

HON. WILLIAM C. CRAMER

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, September 23, 1965

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 10232) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

Mr. CRAMER. Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, the reason I take this time is I realize the gentleman's amendment is friendly and my remarks are not intended to be unfriendly, I will say to the gentleman. I think I worked as hard as anyone else did, and so did other Members of the House in order to try to get an adequate water pollution control bill. I would hate to see it used now as a basis for crippling this program under this bill if we are going to enact it. As I read the amendment of the gentleman, it says, and I quote:

In the case of sewers and waste disposal systems, no Federal funds shall be advanced hereunder unless the appropriate State water pollution control agency shall certify that the effluent therefrom shall conform with appropriate State and Federal water pollution control standards.

Federal standards will not be established for a number of years under the terms of the water pollution control bill,

S. 4. Would the gentleman object to an amendment to his amendment to the effect that this condition shall come into play relating to standards "when and where established"? This will prevent the Dingell amendment from destroying the bill before us unnecessarily and in this hurried fashion.

Mr. DINGELL. I have no objection to it. I do not think it would be necessary particularly.

Mr. CRAMER. Mr. Chairman, I ask unanimous consent that the Dingell amendment be amended by adding at the end thereof the words "when and where established" by striking the period and adding those words to the amendment now at the desk and I send such an amendment to the amendment to the clerk's desk.

The CHAIRMAN. Is there objection to the request of the gentleman from Florida?

There was no objection.

House Resolution 560

SPEECH
OF

HON. JAMES H. SCHEUER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, September 20, 1965

Mr. SCHEUER. Mr. Speaker, I am opposed to the passage of House Resolution 560, which would seem to validate or encourage unilateral military intervention by the United States or any other nation in the Western Hemisphere, in the affairs of a Latin American country in danger of Communist subversion.

Mr. Speaker, I oppose this resolution because the fate of this Nation, and of this planet rests in the development of collective machinery to achieve peace, which this resolution can only serve to undermine.

For the first time in the history of this world, man possesses a sufficient store of weapons to destroy life on earth. Any resolution or action which challenges the collective decisionmaking machinery of the free world, can only be damaging to our hopes of attaining lasting peace.

I recognize, as do all the Members of this body, that the greatest threat to peace in the world today, is the aggressive policies of world communism. But this resolution will not help to contain that threat nor minimize it.

On the contrary, this resolution will only be useful to the Communists.

They will exploit it to propagate the all too widely held view that we are still an immature, impulsive giant eager to interfere in the internal affairs of other nations. We will be hearing again of Teddy Roosevelt's strong-willed imperialism, of the U.S. Marine's in Nicaragua of the other hostile and time-worn cliches which will be resurrected once again to embarrass us with our friends, hurt us with our enemies and confuse our great purposes with the uncommitted.

A short time ago, the United States took unilateral action in the Dominican Republic. Men, of knowledge and good will on both sides, are still debating whether or not this intervention was necessary to prevent the spread of communism, even granting the assumption that it was proper.

The learned chairman of the Senate Foreign Relations Committee, Senator FULBRIGHT, has raised a serious question as to whether or not there was a sufficient threat of Communist takeover in the Dominican Republic to justify our intervention. The administration feels that the facts justified that intervention, and that collective machinery was brought into play as soon as possible.

Everyone of good will would agree that our unilateral intervention, necessary or unnecessary, was harmful to the United States.

Everyone recognizes that there may be threats to our national security, that would necessitate unilateral action, but unilateral action is at best only a poor substitute for collective machinery and a peaceful mutual resolution of problems.

We have just celebrated the 20th anniversary of the United Nations, man's greatest collective effort to achieve world peace. We are a long way from perfecting the United Nations, and achieving our goal of a peaceful world.

In Vietnam, the Kashmir, along the Indochina border, and the Syrian-Israeli border, gunfire may be sounding at this very moment. Any one of these conflicts carry within it, the seeds of world destruction.

I would hope that this body could give greater consideration to resolutions which would strengthen collective machinery for peace, and underline our belief that unilateral action is to be taken only as a last resort, consonant with urgent needs of our national security.

Rural Water and Sanitation Facilities

SPEECH

OF

HON. JOHN D. DINGELL

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, September 23, 1965

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 10232) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

Mr. CRAMER. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I say to the gentleman that I got into a lot of trouble yielding yesterday, but I am happy to yield to the gentleman from Florida.

Mr. CRAMER. I do not want to get the gentleman in trouble, but I do not want the amendment to cause trouble, either.

The Water Pollution Control Act was passed by both bodies only the day before yesterday. I wonder if the gentleman appreciates the fact that the standards to which his amendment is directed have not yet been established and are not contemplated to be established until 1968 at the earliest.

The functioning of the agency to set up the establishment of such standards in each State will not even take place until that date.

The standards the gentleman is talking about and the requirement he will impose could not be met by these communities today, and it is not expected it could be met for some 2 or 3 years.

I question whether the gentleman is not crippling the program by not providing for compliance with such standards when and at such locations as they are provided in the future.

Mr. DINGELL. Since I yielded to the gentleman, I should like to tell him he is entirely mistaken in his understanding of the amendment.

The amendment is offered as a friend of the bill, not as an enemy.

I point out to the gentleman that the question of certification is to be left in the hands of the State agencies. If the State agencies certify there are no Federal or State standards which deal with the question of water pollution, they may so do.

It would be my interpretation, as the author of the amendment, that the amendment simply would not enforce any certification as to standards.

Further, I point out to my good friend that many States do now have standards. There are many States which actually catalog their streams according to different types. The only thing this would require would be that for the States which do so catalog their streams or which do have standards—or after Federal standards go into effect, as a result of the bill referred to, passed yesterday—then the standards would apply. It would be expected that they would comply with whatever standards the States or the Federal Government would have in effect. If there were none, I point out to my friend, there would be no standards the State agency could say had to be complied with.

The amendment would not prevent the instrumentality, the State or local subdivision, from getting money under the bill.

Mr. CRAMER. Mr. Chairman, will the gentleman yield further?

Mr. DINGELL. No. I have yielded and tried to explain to the gentleman. I would now like to yield to the gentleman from Montana.

Mr. BATTIN. Mr. Chairman, may I ask the gentleman, does your amendment cover a situation where a State does not have a control agency?

Mr. DINGELL. Every State, I would say to my good friend, has a water pollution control agency. There is not a State that is not drawing money under Public Law 660 through some appro-

priate agency. Some of them call it a department of health and some of them call it a State water resources commission or something of that kind, but every State has an appropriate agency.

Mr. BATTIN. That is my point. The agency of the State that has the authority that the gentleman contemplated.

Mr. DINGELL. The gentleman is correct. There are State agencies which are now drawing Federal funds. There is no State, to my knowledge, that does not have a State agency in charge of this program.

Our Distinguished Secretary of Agriculture, a Man of Outstanding and Unusual Ability, the Honorable Orville L. Freeman, Delivered an Address Celebrating the 40th Anniversary of Radio Station KWKH of Shreveport, La.

EXTENSION OF REMARKS OF

HON. JAMES H. MORRISON

OF LOUISIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, September 23, 1965

Mr. MORRISON. Mr. Speaker, Hon. Orville Freeman who has distinguished himself as one of our greatest agriculture leaders in all of our history delivered a great speech in my home State, entitled, "The Coming Decade in Agriculture," at a most appropriate occasion celebrating the 40th anniversary of station KWKH of Shreveport, La., one of the oldest pioneers and one of the most powerful stations in the South.

His informative speech is as follows:

THE COMING DECADE IN AGRICULTURE

When KWKH began broadcasting, many of the men participating in this birthday anniversary celebration had not been born. And in this entire audience, I fail to find a woman who looks as though she could possibly have been around at the time.

Forty years, of course, is not a ripe old age for either an individual or an institution. But at a young and vigorous 40, KWKH can claim the status of pioneer. It followed the invention of radio by only a few years. There are probably more receivers in cars parked around this area today than there were in homes of this section of Louisiana when the visionary dreamers who launched KWKH decided there was a future in wire-less communication.

Like so many American dreams, this one came true.

Perhaps no one appreciates a vital and continuing communications institution more than a public official. He knows that exercise of the people's right to know is the heart of the successful operation in every level of government. For that reason I find it a special privilege to join with the families of the KWKH area in saying "happy birthday."

The nature of this anniversary observance is in itself evidence of the continuing desire of KWKH to provide the people of this area with facts and opinions that will contribute to the decisionmaking process in the years ahead.

I am honored with a part in such a program. And I consider it a special privilege to participate in the company of a man

whose leadership I admire and whose friendship I value—Senator ALLEN ELLENDER.

As chairman of the Senate Committee on Agriculture and Forestry, he has been a major architect in the construction of policies that bring farmers and Government together in the operation of purposeful food and agriculture programs that serve the general welfare. He deserves substantial credit for the miraculous progress of American agriculture these past 29 years. His wisdom, diligence, integrity and hard work sets a high standard for every public servant. Personally, I owe him much.

He has never denied me the benefits of his knowledge, experience and vision. He has been kind and tolerant when we have disagreed, generous in sharing credit for achievement and progress. I welcome the opportunity to express my appreciation, my respect, and my most sincere commendations here in his home State.

Today's discussions revolve around the next 10 years in agriculture.

I must admit that while I have often felt the need for one, the equipment in the office of the Secretary of Agriculture does not include a crystal ball.

It has some other equipment.

There's a good, solid stone wall that I've bumped my head against more than a few times—the last 4½ years.

It has a seat that stays hot through the coldest days.

It has a 12-button telephone that seems to handle complaints with greater speed and clarity than it carries congratulations.

But that is not all. The office of the Secretary of Agriculture has some truly delightful accessories.

It has remarkable windows. I can look through them and see—in mind's eye—the farms and the families that produce the abundance of food and fiber on which rests the strength and well-being of this Nation.

I see an efficient and productive system that has banished famine from this country—and from the world. Wherever disaster strikes—American food and fiber is there within hours to help feed people—just as only last week over 200,000 people here in Louisiana were fed in the recovery operations after Hurricane Betsy. It was the largest single disaster feeding operation the USDA has undertaken in this country.

In cities and towns all across the country I see families eating better food, and at less real cost, than families anywhere else in the world. One hour of work today will buy twice as much food on the average as it would 30 years ago.

I see millions of American people whose income is not adequate to provide enough food * * * but who nevertheless get an adequate diet. Each year through direct food distribution and school lunch programs, over \$700 million worth of food is made available by Federal, State, and local government. And nearly \$60 million is being spent currently through the Food Stamp program so that low-income families may have a more adequate diet.

In port cities on every coast and on the Great Lakes, I see ships loaded with food-for-peace cargoes for 100 million hungry people and for 40 million schoolchildren around the world—and with food and fiber sold for dollars abroad which amounts to more than \$4.5 billion.

Through the countryside and in the towns of rural America I see growing efforts to conserve natural resources and beauty—to make use of our land and water to satisfy the new and changing needs of the people.

In the clarity of these sights, the hot seat, the cold telephone and the immovable stone wall fades away. I am proud that rural America and American agriculture are doing great things.

I have no crystal ball, but looking ahead for another decade I feel confident that even greater achievements are ahead.

I speak with optimism about the next 10 years in American agriculture and rural life—for good reason.

Seven months ago President Johnson recommended a bold, dynamic, and comprehensive farm program to the Congress. Today, that program has passed both Houses of the Congress.

Agricultural leaders in both legislative bodies assure me that they expect to resolve in conference—without major difficulty—the differences which exist between the House and Senate versions of the bill.

When President Johnson signs this legislation—the Food and Agriculture Act of 1965—a new chapter in the miraculous success story of American agriculture will begin.

Few people yet realize the enormous significance of this legislation, of what the President and the Congress have achieved in 7 short months.

For more than 30 years, and particularly since the explosion in agricultural productivity after World War II, the farm policy objective of this Nation has been to develop an instrument which would:

Enable farmers to exercise their initiative and skill to efficiently produce an abundance of food and fiber and to receive a fair, or parity, return; and

Enable consumer food prices to take each year a smaller proportion of consumer income; and

Avoid the needless accumulation of costly surpluses.

Every attempt until now to develop a program to meet these conditions has fallen short of the goal. Instead, particularly since 1952, farm income has been persistently low and farm surpluses have been persistently high.

But as we have worked to find the answer, we have been learning. The legislation now moving toward final passage embodies this experience—it is the product of trial and error—and reflects the debate which has been in progress in the Congress and in the Nation over the past 3 decades.

Experience with the feed grain and wheat programs since 1961 has taught us that direct payments to the farmer who voluntarily reduces his production can strengthen farm income, help eliminate surpluses, and maintain a working balance between production and use to enable the marketplace at home and abroad to function efficiently. The legislation now before the Congress will establish this kind of program over a 4-year period for most of the basic commodities—wheat, feed grains, and cotton.

We also have learned the wisdom of diverting land not needed at present to new uses or to conservation purposes for more than a year at a time. The cropland adjustment program in the House and Senate proposals will provide land adjustment contracts for as long as 10 years. These contracts will be less costly, and will enable the farmer to make his plans on a long-range basis. In addition, the program will make land more readily available for new uses, particularly for outdoor recreation and beautification. Even now, conservation, wildlife, and recreation groups are discussing with State and Federal officials on how best to administer the program to serve multiple uses.

The new legislation also recognizes that the marketplace is the best mechanism to determine the flow and pace of commercial agriculture. Most farm products will no longer move in domestic and world markets at artificially high prices. Instead they will be guided by the conditions of supply and demand. At the same time the farmer will be protected from depressed incomes by the payments he receives in return for his cooperation in diverting acres to uses other than the usual crop production.

The new legislation also recognizes the need for farmers to be able to plan their farming operations for more than a year or

two ahead, and extends the commodity programs through 1969.

Thus, the Food and Agriculture Act of 1965, as it stands now before the conference committee of the House and the Senate, can provide the flexibility necessary to keep pace with a dynamic and changing agriculture. It can enable this Nation to produce food and fiber in the quantities we need—when we need it for domestic and international purposes—with increasing efficiency—and at a modest cost in terms of the benefits to producers, consumers, and taxpayers alike.

With such a dynamic program, we can anticipate that over the next decade:

1. The American people will be better fed and better clothed at a lower real cost by 1975 than is the case today. American farm families and an efficient food industry will supply 225 million Americans—30 million more than today—with more beef and other meat and more convenience foods of a wider variety than now.

The food abundance necessary to meet whatever commitments your Government makes around the world will be forthcoming. Our super productive farm economy can do all of these things and still fulfill the demand for land for new uses.

2. Nutritional standards for the American people will be vastly improved. Our young people will be bigger and stronger and healthier, and Americans will be living longer. In 10 years, every person in this country will enjoy an adequate and nutritional diet. Where low incomes today short-change the food budgets of some families, the food stamp program now undergoing rapid expansion will give these families equal access to food abundance.

3. The day of the needless and expensive surpluses in farm commodities will have ended. With the flexibility provided by the new legislation, farmers will be able to match their production with their markets. The surpluses which once existed in wheat and feed grains are already nearly gone. The heavy surpluses we now have in cotton and tobacco will steadily disappear.

4. The American farmer will become increasingly a supplier of world markets. Farm exports have topped \$6 billion for the last 2 years, and they will reach \$7 billion in the next few years. By 1975, exports will exceed \$8 billion as the American farmer is able to compete in world markets at world prices.

5. Food will be of critical importance a decade hence as the struggle for freedom around the world continues. Our Food for Peace program will be even more of a keystone in American foreign policy than it is today. The need for food already is beginning to exceed the productive abilities of the developing nations in country after country. American agriculture will be instrumental in meeting this crisis by making available increasing amounts of food aid. Technical assistance to help the developing countries accelerate their own food production will be even more important than it is today.

6. The farm family with adequate resources will be earning parity of income—a comparable return for the labor and resources used to produce abundance as could be earned in other sectors of the economy. There will be fewer larger than family sized farms, but significantly more adequate size family farms and fewer very small farms.

7. Before the next 10 years are finished, all of rural America will be well into an economic and social renaissance which will bring the people who live in the countryside the parity of opportunity they are now in large part denied.

Today, rural Americans lag 2 years behind urban Americans in educational achievements. Rural children receive one-third less medical attention than city youngsters. One out of four rural homes should be replaced or given major repairs. One out of five rural

will carefully consider the arguments soundly set forth in the following editorial:

TO STUDY MARINE SCIENCE

Study of the undersea promises to become far more important in the national scale of priorities with the enthusiastic House passage of the Marine Resources and Engineering Development Act of 1965. The bill, an improved version of Senate legislation passed earlier in the session, now goes to a conference and should emerge for the President's signature before the end of the session.

Most of the differences are minor and can be worked out without difficulty. In one respect, however, the House approach is so clearly the better that no compromise language should be adopted. The House bill directs the President to appoint a Commission on Marine Science, Engineering and Resources with representation from universities, research laboratories, industry, and government. The Commission would spend up to 18 months devising an overall blueprint for a national oceanographic program. The Senate authorized such a Commission, but only at the President's discretion.

The Senate also would create within the Government a National Council on Marine Resources and Engineering Development. A Cabinet-level group, the Council would be headed by the Vice President with the duty of coordinating Government efforts in the field. As Representative ALTON A. LENNON, of North Carolina, pointed out to the House, this Council would be a needless duplication, for it almost certainly would consist of the same men who already serve on another of the President's advisory staffs, the Federal Council of Space and Technology. It would not make sense to charter such a group before a Federal structure for the undersea program had been decided.

The House has adopted the fundamental Senate approach to undersea research and development. Now the Senate ought to accept the House refinements.

The Long Island Commercial Review

EXTENSION OF REMARKS

OF

HON. JOHN W. WYDLER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, September 24, 1965

Mr. WYDLER. Mr. Speaker, recently the Long Island Commercial Review, an outstanding daily newspaper published in Nassau County, Long Island, celebrated its 12th birthday. The publisher of this newspaper, Paul Townsend, has reported that the newspaper started as a controlled circulation weekly tabloid in September 1953. The Review later changed to all-paid circulation, and daily—weekdays—offset publication with cold-type composition in July 1962.

Today it has 10,000 distribution with a 3½ persons-per-copy pass-along readership, 51 employees in its own 10,000-square-foot building, and averages 15.2 tabloid offset pages daily. Each week, it publishes at least two supplements including a monthly Long Island Heritage and guide to recreation, quarterly Long Island Almanac of economic and government data, quarterly Long Island Investment Directory of publicly owned local corporations, semiannual Long Island Financial Institutions Report, and bi-

monthly Long Island Executive Home Selector.

This newspaper has made great strides in keeping with the area it comes from. I am proud of this newspaper and wish to congratulate its editor and publisher, Paul B. Townsend, and the wonderful staff of writers who have made it such an outstanding success. I feel confident that it will reach new greatness in the years ahead.

Rural Water and Sanitation Facilities

SPEECH

OF

HON. HAROLD D. COOLEY

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Thursday, September 23, 1965

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 10232) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

Mr. COOLEY. Mr. Chairman, I yield myself such time as I may use.

Mr. Chairman, I first want to congratulate and commend our colleague the gentleman from Texas, BOB POAGE, the chairman of the Subcommittee on Conservation and Credit, and our colleague, the gentleman from Indiana, RALPH HARVEY, the ranking minority member of that subcommittee, and all of the other members of the subcommittee, upon all of the splendid work they have done on this bill. The subcommittee worked long and hard on the bill now before you. They considered all of the pertinent facts and circumstances involved, and my recollection is that the report of the subcommittee was unanimously accepted and approved by the full committee.

Mr. Chairman, I also want to commend the officers and directors of the Farmers Home Administration upon the splendid manner in which that agency of the Government has administered all programs which that agency has by law been directed to administer. The Farmers Home Administration has been remarkably free from criticism. Those in charge of this program have discharged the duties assigned to them in magnificent fashion. Perhaps the officials of this agency of the Government have not done all things right and perhaps they have not pleased all people, but certainly all of us know that they have at all times been prompted by the purest of motives and dealt with all problems frankly, fairly, forthrightly, and with great impartiality and integrity.

I urge the passage of this bill.

The bill deals with problems of great importance. More than 30,000 commu-

nities in this country need and want the relief which will be provided in this bill when it is enacted into law. The chairman of the subcommittee, who, as you know, is the vice chairman of the full committee, has presented the bill to the Members of the House in a very brief and comprehensive manner. I hope that the bill will be passed, that it will become law, and I know that the program will be beneficial to the rural areas of America. Certainly we must provide some relief for the citizens of our country who are living in the rural areas of the Nation just as we have provided relief for those citizens living in urban areas.

Humanitarian

EXTENSION OF REMARKS

OF

HON. WM. J. RANDALL

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Friday, September 24, 1965

Mr. RANDALL. Mr. Speaker, Independence, Mo., recently mourned the loss of Dexter Perry, a close personal friend of President Truman and one of our city's outstanding citizens. In life he earned the description of humanitarian because with him friendship and service to his fellowman was a way of life. A lawyer by profession, he gave legal advice to those in need and always forgot to submit a bill for his services. He passed on leaving only a small estate.

His creed in life was to help persons to whom life had dealt misfortune. For 25 years he spent all of his time outside business hours performing his duties as service officer for the Tirey J. Ford Post of the American Legion, giving freely of his time to assist veterans, their widows and families.

Several years ago the Legion gave him an award for public service to his community. Presentation was by his long-time personal friend, former President Harry S. Truman. A year or two later he received the Service to Mankind Award from the Sertoma Club. Again the award was presented by our former President who at that time referred to Perry as a "grassroots humanitarian."

On another occasion, President Truman said:

Dexter Perry does more good for people who need it than any man of my acquaintance. You always find Perry around when someone is in trouble.

Dexter Perry did not believe in showmanship. He preferred to stay out of the headlines but the community in which he lived will not soon forget his life of service.

Dexter was familiar with the Biblical story about the question by Cain to his brother, Abel, "Am I my brother's keeper?" His life was an affirmative answer to this Old Testament interrogatory.

Upon his passing, our newspaper, the Independence Examiner in its editorial column wrote an obituary of highest praise which reads as follows:

[From the Independence Examiner,
Sept. 15, 1965]

DEXTER PERRY: HUMANITARIAN

Dexter Perry was a big genial fellow to whom friendship and service to his fellow-men was a way of life. He died this week without leaving much of a personal fortune, but the help he has given to others over many years would make an impressive total.

Perry didn't make a big splurge in his job as a deputy constable or in his profession as a lawyer. He attended to his duties quietly and spent much time outside of business hours working to help persons to whom life had dealt misfortunes.

A veteran of World War I, he was a former commander of the Tiley J. Ford Post of the American Legion, and served that organization with distinction for 45 years. For the last 25 years he had been post service officer and found many opportunities to assist veterans, their widows and families.

Dexter Perry would have been the last one to have claimed any personal credit for the many kindnesses and services he performed. He shied from personal publicity and recognition to the point where it was difficult for newsmen to find out about his activities. He did not want praise for him publicized when he was accorded two outstanding honors.

The Legion post gave him a life membership in 1962, with the award presented by former President Harry S. Truman, a long-time personal friend.

In 1964 he received the Service to Mankind award of the Independence Sertoma Club, this award also being presented by the former President, who referred to Perry as a "grass roots humanitarian."

Perhaps only his close associates in the American Legion knew all of the many works of goodness he performed, and even they may not have known the full story.

President Truman said: "Dexter Perry does more good for people who need it than any man of my acquaintance. You'll always find Perry around when someone is in trouble."

The more you talk to friends of Dexter Perry the more you find out about instances of how he dug down in his own pocket, at a personal sacrifice, to help someone else. The more you hear about his trips to distant points, as far away as the west coast, to cheer former comrades who were sick or unfortunate. The more you hear about how he contributed free services as a lawyer when someone was in trouble, or how he would get up in the middle of the night to find hospital treatment for a sick person.

Dexter Perry lived an unassuming, unpretentious life and didn't often make the headlines. But he left an indelible impression on this community that will not soon be forgotten. He was a humanitarian in the truest sense of the word.

Tax-Share Plan

EXTENSION OF REMARKS

OF

HON. W. J. BRYAN DORN

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Thursday, September 23, 1965

Mr. DORN. Mr. Speaker, there is much merit in the suggestion of Dr. Heller to share the Federal tax take with the States and local communities. The following UPI story appeared in the Washington Post of September 23.

GOVERNORS BACK TAX-SHARE PLAN

MACKINAC ISLAND, MICH., September 22.—Eight Midwest Governors agreed today that Washington gets too much of the tax dollar.

Members of the midwestern Governors conference agreed the States should retain or be given a rebate on a percentage of Federal tax money. But no specific recommendations were made on how this might be done.

Instead, the Governors urged a previously formed committee to speed its study on State and local revenue sources.

Home Rule Bill: A Threat to the Merit System

EXTENSION OF REMARKS

OF

HON. ANCHER NELSEN

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Friday, September 24, 1965

Mr. NELSEN. Mr. Speaker, in an article by Joe Young which appears in today's Evening Star the General Counsel of the Civil Service Commission endorses what I have been saying for some time now concerning the provisions of the proposed home rule bills which would exempt Federal employees in the District of Columbia from protection of the Hatch Act.

Mr. Lawrence Meloy is reported in this article as believing that permitting Federal and District government employees to take an active part in local partisan political campaigns would pose a grave threat to the entire merit system.

I ask that this article be printed in the Record at this point in my remarks.

[From the Evening Star, Sept. 24, 1965]

MERIT SYSTEM THREAT SEEN IN PLAN FOR WASHINGTON PARTISAN POLITICS

(By Joseph Young)

The Civil Service Commission's General Counsel believes provisions in the District's home rule bill that permits Federal and District government employees to take an active part in Washington's municipal elections on a partisan basis poses a "grave threat" to the merit system.

Lawrence Meloy, who has been more closely associated with enforcement of the Hatch Act than any other Government official since its enactment in 1939, says the home rule legislation could open the door for eventual repeal of political activity restrictions for Federal workers in national elections as well.

Furthermore, Meloy contends that by permitting Federal employees to campaign actively in municipal elections here they will be subjected to intense political pressures to contribute to candidates and political parties.

"Their chances of promotion and even keeping their jobs would depend on their political activities in many cases," Meloy said. "And should a political change of administration occur, their chances of keeping their jobs would rest on how little they did for the previous party in power. Thus, Government workers here would be jeopardizing their careers, no matter what they did."

Meloy believes that Federal employees' political activities in municipal elections in Washington would be justified if the elections were held on a nonpartisan basis. But the legislation provides that elections be held on a partisan basis—with candidates running under the labels of the Democratic and Republican Parties.

Thus, the CSC General Counsel said, Federal workers can't help but get mixed up in partisan politics.

Meloy pointed out that Hatch Act rules

now permit Federal workers to participate actively in nonpartisan municipal elections throughout the country and that this has worked out fine.

"We have never had any trouble as a result of Federal workers participating actively in nonpartisan elections in cities such as Los Angeles, Detroit, Cincinnati, Dallas, Milwaukee, and many others," Meloy said. "There's no reason why the District of Columbia's elections can't also be on a nonpartisan basis."

The widely held view is that President Johnson and the Democratic controlled Congress, well aware of the overwhelming Democratic vote in the District, want to capitalize on this by holding partisan elections, rather than dispensing with party labels on a nonpartisan basis.

Consequently, Meloy's views are not getting much of a response from CSC or at the White House.

Meloy also thinks that if Federal employees are permitted to campaign actively on a partisan basis in the District, they will have to be given such rights in Montgomery and Arlington Counties. In turn, this will spread to all partisan municipal and other State contests throughout the country, he believes.

"After that, it will only be a matter of time before legislation would be enacted to allow Government workers to participate actively in national politics and elections," Meloy predicted. "I don't think the merit system as we know it could survive this."

Federal and District government employees living in the District of Columbia would not be the only workers eligible to participate and campaign actively in the District's mayoralty and city council and perhaps delegate elections. Federal and District employees living in nearby Maryland and Virginia also could participate and campaign actively, thus subjecting themselves to possible pressure from their bosses to take an active role.

Rosh Hashanah

EXTENSION OF REMARKS

OF

HON. EDNA F. KELLY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, September 24, 1965

Mrs. KELLY. Mr. Speaker, it is appropriate during these, their days of awe, that we extend our most sincere wishes to those of the Jewish faith. Rosh Hashanah, meaning "first of the year" in Hebrew, begins their High Holidays which end 10 days later on Yom Kippur, the Day of Atonement.

Rosh Hashanah is the day on which, according to Jewish tradition, God judges the deeds of each individual. An ancient Jewish legend tells us that on Rosh Hashanah three books are placed before the heavenly judge. One of the books is thin; in it are written the names of all the people in the world who are entirely wicked, and these are immediately sentenced on Rosh Hashanah to a year of trouble and unhappiness. An even thinner book contains the names of all of those who are completely good; these are awarded a year of peace and happiness. By far the largest of the three books is the one in which are written the names of those who are neither entirely good nor completely bad. Their fate is decided by the sincerity of their

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
TO BE QUOTED OR CITED)

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For actions of Sept. 28, 1965
89th-1st; No. 179

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HIGHLIGHTS: House passed measure continuing appropriations through Oct. 15. House Rules Committee cleared sugar bill. Both Houses agreed to technical amendments to Aiken-Poage water-loans bill.

HOUSE

1. APPROPRIATIONS. Passed without amendment H. J. Res. 673, making continuing appropriations for the fiscal year 1966, through October 15, 1965. pp. 24427-32
Conferees were appointed on H. R. 10871, the foreign-aid appropriation bill.
p. 24426
3. WATER; LOANS. Both Houses agreed to technical amendments to S. 1766, the Aiken-Poage water-loans bill. This bill will now be sent to the President. pp. 24322, 24432
4. SUGAR. The Rules Committee "granted a closed rule, waiving points of order, with 4 hours of debate, and making it in order to be offered two amendments, H. R. 11135, the sugar bill." p. D971
5. EXTENSION WORK. Rep. Dorn commended the work of 4-H clubs. pp. 24479-80

6. CANADA. Rep. Tupper inserted a report on a Republican study of economic relations with Canada. pp. 24480-6
7. LEGISLATIVE PROCESS. Rep. Rhodes, Ariz., stated that Chairman Macy of the Civil Service Commission had engaged in improper "arm-twisting" through influencing legislation. p. 24486
8. POVERTY. Rep. Gibbons inserted a magazine article describing the poverty problem. pp. 24493-4
9. RESEARCH. Rep. Pepper spoke favoring humane treatment of research animals and inserted a resolution of the Florida Federation of Humane Societies. p. 24495

SENATE

10. EDUCATION. The Labor and Public Welfare Committee reported with amendments H. R. 9022, to amend the law authorizing aid to education in Federally impacted areas so as to permit assistance in cases of major disaster, continue assistance in spite of announcements of base closings, and delete a requirement that the large school systems must have a higher percentage of children of Federal employees in order to be eligible for assistance (S. Rept. 783). p. 24322
Passed as reported H. R. 7743, to establish a system of loan insurance and a supplementary system of direct loans, to assist students to attend post-secondary business, trade, technical, and other vocational schools. pp. 24384-94
Sen. Morse inserted a summary prepared by the U.S. Office of Education on grant programs for fiscal 1966. pp. 2367-72
The Labor and Public Welfare Committee voted to report (but did not actually report) H. R. 8310, the proposed Vocational Rehabilitation Act Amendments of 1965. p. D969
11. PERSONNEL; RETIREMENT. The Post Office and Civil Service Committee reported an original bill, S. 2572, "extending retirement benefits for Federal employees whose annuities commence after December 1, but not later than December 31, 1965 (S. Rept. 790)." pp. 24322, D968
The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 6165, to repeal 5 U.S.C. 33, which gives department heads discretion as to whether to appoint women. p. D970
12. WILD RIVERS. The Interior and Insular Affairs Committee reported with an amendment in the nature of a substitute bill S. 1446, to reserve certain public lands for a National Wild Rivers System, and to provide a procedure for adding additional public lands and other lands to the System (S. Rept. 792). pp. 24322-23
13. HEMISFAIR. Passed, after adopting an amendment to reduce authorized appropriations from \$250,000 to \$125,000, H. R. 9247, to provide for U. S. participation in the HemisFair 1968 Exposition in San Antonio, Tex. A similar bill, S. 2167, was indefinitely postponed. pp. 24372-73, 24377-83
14. CONTRACTS; LABOR STANDARDS. The Labor and Public Welfare Committee voted to report (but did not actually report) H.R. 10238, to provide labor standards for certain persons employed by Federal contractors to furnish services to Federal agencies. p. D969



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No. 179

Senate

The Senate met at 12 o'clock meridian, and was called to order by the Vice President.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Our Father God, for the glory of the earth in the haunting beauty of which we walk, for the gifts of love and of friendship, for sacred and sunny memories of human fellowship, and for every radiant hope which inspires us on our pilgrim way, at the noontide of this new day, we lift our paean of grateful praise.

In Thy presence our arrogance is rebuked, our pride of opinion is mocked as we confess that left to ourselves we but grope in the darkness of ignorance, that our sight is dimmed and our judgments fallible.

As in this forum of freedom so many tangled problems converge which plague the wisest councils of men, may Thy servants here, devoted to the stewardship of public trust, be honest and honorable enough to follow the truth as it beckons wherever it may lead and thus to scorn all forms of pretense.

We pray that in these grave days of global concern in the affairs of nations that the instrumentalities of justice and concord which have been set up to unite peoples in the preservation and pursuit of peace may be the channels of thy providence, in cooperative endeavor to bring this fear-haunted, divided earth nearer to the ancient prophet's dream, "Violence shall no more be heard in thy lands, wasting nor destruction within thy borders."

In the name of the Prince of Peace we pray. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Friday, September 24, 1965, was dispensed with.

MESSAGES FROM THE PRESIDENT— APPROVAL OF BILLS AND JOINT RESOLUTION

Messages in writing from the President of the United States were communicated to the Senate by Mr. Geisler,

one of his secretaries, and he announced that on September 25, 1965, the President had approved and signed the following acts and joint resolution:

S. 76. An act for the relief of Anna Maria Heiland;

S. 517. An act for the relief of John William Daugherty, Jr.;

S. 573. An act for the relief of Dr. Sedat M. Ayata;

S. 584. An act for the relief of Ming Chup Chau;

S. 614. An act for the relief of Evangelia Moshou Kantas;

S. 1736. An act for the relief of Jennifer Ellen John Moj dara; and

S.J. Res. 5. Joint resolution designating the bridge crossing the Washington Channel near the intersection of the extension of 12th and G Streets SW. the Francis Case Memorial Bridge.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The VICE PRESIDENT laid before the Senate messages from the President of the United States submitting sundry nominations, and withdrawing the nomination of Robert R. Mease, to be postmaster at Springtown, Pa.; which nominating messages were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hackney, one of its reading clerks, announced that the House had agreed to the following bills of the Senate, severally with amendments, in which it requested the concurrence of the Senate:

S. 306. An act to amend the Clean Air Act to require standards for controlling the emission of pollutants from gasoline-powered or diesel-powered vehicles, to establish a Federal Air Pollution Control Laboratory, and for other purposes;

S. 596. An act to amend the Public Health Service Act to assist in combating heart disease, cancer, and stroke, and other major diseases; and

S. 1620. An act to consolidate the two judicial districts of the State of South Carolina into a single judicial district and to make suitable transitional provisions with respect thereto.

The message also announced that the House insisted upon its amendment to the bill (S. 2300) authorizing the construction, repair, and preservation of certain public works on rivers and harbors for navigation, flood control, and for other purposes, disagreed to by the Senate; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. FALLON, Mr. BLATNIK, Mr. JONES of Alabama, Mr. EDMONDSON, Mr. WRIGHT, Mr. CRAMER, Mr. BALDWIN, and Mr. HARSHA were appointed managers on the part of the House at the conference.

The message further announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 7812) to authorize the loan of naval vessels to friendly foreign countries, and for other purposes; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. RIVERS of South Carolina, Mr. PHILBIN, Mr. PRICE, Mr. FISHER, Mr. BATES, and Mr. ARENDS were appointed managers on the part of the House at the conference.

ENROLLED BILL SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled bill (H.R. 7969) to correct certain errors in the Tariff Schedules of the United States, and for other purposes, and it was signed by the Vice President.

REPORT OF A COMMITTEE SUBMITTED DURING ADJOURNMENT

Under authority of the order of the Senate of September 24, 1965, the following report of a committee was submitted on September 27, 1965:

Mr. BYRD, from the Committee on Finance, reported favorably, with amendments, the bill (H.R. 9042) to provide for the implementation of the agreement concerning automotive products between the Government of the United States of America and the Government of Canada, and for other purposes, and submitted a report (No. 782) thereon, together with the minority views of Senators RIBICOFF, HARTKE, and GORE; which report was printed.

AMENDMENT OF CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate reconsider its action taken on Friday, September 24, in agreeing to the House amendments to S. 1766, better known as the Aiken bill, to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations, not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I offer amendments to the House amendments and ask that they be stated.

The VICE PRESIDENT. The amendments will be stated.

The legislative clerk read as follows:

On page 3, line 12, change the subsection designation "(4)a." to "(4)(A)".

On page 3, line 16, change the subsection designation "(b)" to "(B)".

On page 4, line 18, strike out the words "Provided further, That no" and insert in lieu thereof the word "No".

On page 4, line 23, before the word "In", insert paragraph number "(10)".

On page 5, line 16, change the word "loan" to "Act".

The VICE PRESIDENT. The question is on agreeing to the amendments offered by the Senator from Montana [Mr. MANSFIELD], to the House amendments.

The amendments to the House amendments were agreed to.

The VICE PRESIDENT. The question now recurs on concurring in the House amendments as amended.

The amendments of the House, as amended, were concurred in.

LIMITATION ON STATEMENTS DURING TRANSACTION OF ROUTINE MORNING BUSINESS

On request of Mr. LONG of Louisiana, and by unanimous consent, statements during the transaction of routine morning business were ordered limited to 3 minutes.

CORRECTION OF THE RECORD

Mr. DOMINICK. Mr. President, I ask the RECORD be corrected. On page 24210 of the RECORD of September 24, 1965, I was discussing the poverty bill, and at line 39 of the middle column I meant to say Department of Education rather than Department of Agriculture. I ask that the word "Education" be substituted for the word "Agriculture."

The VICE PRESIDENT. The correction will be made.

JOINT RESOLUTION OF OHIO LEGISLATURE

The VICE PRESIDENT laid before the Senate a joint resolution of the Legislature of the State of Ohio, which was referred to the Committee on the Judiciary, as follows:

S.J. RES. 16

Joint resolution to the Congress of the United States pursuant to article V of the Constitution of the United States to call a convention for the purpose of proposing an amendment to return a portion of the income tax to the political subdivision in which it was collected

Resolved by the Senate of the State of Ohio, the House of Representatives concurring: That the Legislature of the State of Ohio, pursuant to article V of the Constitution of the United States, hereby makes application to the Congress of the United States to call a convention to propose the following article as an amendment to the Constitution of the United States:

"ARTICLE —

"SECTION 1. Fifteen percent of the tax on the income of each citizen collected by the United States shall be returned by the United States to the State in which such citizen has his principal place of residence, one-third of which shall be distributed by such State to the municipal government in which such residence is located if any, another one-third of which shall be distributed by such State to the school district in which such residence is located and the balance to be retained by such State for State purposes;

"Resolved further, That this application shall constitute a continuing application for such convention, under article V, of the Constitution of the United States, until the legislatures of two-thirds of the several States shall have made like applications and such convention shall have been called by the Congress of the United States, unless the Congress itself proposes the amendment herein set forth;

"Resolved further, That certified copies of this resolution be transmitted forthwith to the Senate and House of Representatives of the Congress of the United States and to each House of the legislature of each of the several States, attesting the adoption of this resolution by the legislature of this State.

"ROGER CLOUD,

"Speaker of the House of Representatives.

"JOHN W. BROWN,

"President of the Senate.

"Adopted July 29, 1965.

"TED W. BROWN,

"Secretary of State."

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MORSE, from the Committee on Labor and Public Welfare, with amendments:

H.R. 9022. An act to amend Public Laws 815 and 874, 81st Congress, to provide financial assistance in the construction and operation of public elementary and secondary schools in areas affected by a major disaster; to eliminate inequities in the application of Public Law 815 in certain military base closings; to make uniform eligibility requirements for school districts in Public Law 874; and for other purposes (Rept. No. 783).

By Mr. MORSE, from the Committee on the District of Columbia, with an amendment:

H.R. 1778. An act to amend the act entitled "An Act to create a Board for the Condemna-

tion of Insanitary Buildings in the District of Columbia, and for other purposes", approved May 1, 1906, as amended (Rept. No. 784);

H.R. 3314. An act to require premarital examinations in the District of Columbia, and for other purposes (Rept. No. 785); and

H.R. 5597. An act to relieve physicians of liability for negligent medical treatment at the scene of an accident in the District of Columbia (Rept. No. 786).

By Mr. MORSE, from the Committee on the District of Columbia, with amendments:

H.R. 9985. An act to provide for the mandatory reporting by physicians and hospitals or similar institutions in the District of Columbia of injuries caused by firearms or other dangerous weapons (Rept. No. 787); and

H.R. 10304. An act to provide for the mandatory reporting by physicians and institutions in the District of Columbia of certain physical abuse of children (Rept. No. 788).

By Mr. TYDINGS, from the Committee on the District of Columbia, without amendment:

S. 1314. A bill to amend the Street Readjustment Act of the District of Columbia so as to authorize the Commissioners of the District of Columbia to close all or part of a street, road, highway, or alley in accordance with the requirements of an approved redevelopment or urban renewal plan, without regard to the notice provisions of such act, and for other purposes (Rept. No. 791).

By Mr. HILL, from the Committee on Labor and Public Welfare, with amendments:

H.R. 3141. An act to amend the Public Health Service Act to improve the educational quality of schools of medicine, dentistry, and osteopathy, to authorize grants under that act to such schools for the awarding of scholarships to needy students, and to extend expiring provisions of that act for student loans and for aid in construction of teaching facilities for students in such schools and schools for other health professions, and for other purposes (Rept. No. 789).

AMENDMENT OF SECTION 18, CIVIL SERVICE RETIREMENT ACT, AS AMENDED—REPORT OF A COMMITTEE (S. REPT. NO. 790)

Mr. MONRONEY, from the Committee on Post Office and Civil Service, reported an original bill (S. 2572) to amend section 18 of the Civil Service Retirement Act, as amended, and submitted a report thereon; which bill was read twice by its title and placed on the calendar, and the report was ordered to be printed.

RESERVATION OF CERTAIN PUBLIC LANDS FOR A NATIONAL WILD RIVERS SYSTEM—REPORT OF A COMMITTEE—MINORITY VIEWS (S. REPT. NO. 792)

Mr. CHURCH. Mr. President, from the Committee on Interior and Insular Affairs, I report favorably, with an amendment in the nature of a substitute, the bill (S. 1446) to reserve certain public lands for a National Wild Rivers System, to provide a procedure for adding additional public lands and other lands to the system, and for other purposes, and I submit a report thereon. I ask unanimous consent that the report be printed, together with the minority

1966 new obligational authority provided in appropriations bills as of Sept. 17, 1965—Continued

FINAL ACTION—Continued

[In thousands of dollars]

	Budget estimates House	House passed	House change
TREASURY-POST OFFICE			
Appropriation table.....	7,749,770	7,669,444	-80,326
Deduct:			
Postal receipts.....	4,617,532	4,617,532	
1965 appropriation for IMF.....	1,035,000	1,035,000	
New obligational authority.....	2,097,238	2,016,912	-80,326
LABOR-HEW			
Appropriation table.....	8,293,814	8,011,331	-282,482
Adjustment to reflect amount requested in January budget for wage and labor standards.....	+804		-804
New obligational authority.....	8,294,618	8,011,331	-283,286
INDEPENDENT OFFICES			
Appropriation table.....	14,566,023	14,246,168	-319,855
Add rescission of VA permanent loan authorization.....	-100,000	-100,000	
Deduct:			
Liquidating cash.....	445,665	530,048	+84,383
1967 appropriation for FAA and HIIFA.....	212,500	291,000	+78,500
New obligational authority.....	13,807,858	13,415,120	-392,738

1966 new obligational authority provided in appropriations bills as of Sept. 17, 1965—Continued

FINAL ACTION—Continued

[In thousands of dollars]

	Budget estimates House	House passed	House change
STATE, JUSTICE, COMMERCE, ETC.			
Appropriation table.....	2,171,636	2,057,597	-114,338
Add reappropriation for ABMC.....	32	32	
Deduct:			
Liquidating cash.....	239,240	227,240	-12,000
Repayable advances to highway trust fund.....	250,000	200,000	-50,000
New obligational authority.....	1,682,727	1,630,389	-52,338
LEGISLATIVE			
Appropriation table.....	243,262	189,993	-53,268
Add reappropriation (Library buildings and grounds).....		265	+265
Deduct liquidating cash.....	12,500	12,500	
New obligational authority.....	230,762	177,758	-53,003
LABOR-HEW SUPPLEMENTAL			
Appropriation table and NOA.....	1,553,918	1,223,181	-330,736
DEFENSE			
Appropriation table.....	49,972,844	46,887,163	-3,085,681
Add estimates for claims, Defense.....			
Deduct:			
Liquidating cash.....	54,044	54,044	
Deficiency appropriation for military personnel (Army, 1956, 1957, 1961, and Air Force, 1958, 1959) and medical care, Navy (1958).....	66,700	66,700	
New obligational authority.....	46,852,100	46,766,419	-85,681
MILITARY CONSTRUCTION			
Appropriation table and new obligational authority.....	2,049,000	1,756,635	-292,365

The following table is the familiar one which shows the amounts of appropriations in each of the bills on the same reporting date as of September 17, 1965. In addition to the \$1.7 billion added in

the Senate, in the Defense appropriation bill, there was \$1.035 billion added in the Treasury-Post Office appropriation bill for the International Monetary Fund, which the administration quickly

used in 1965. These two items contribute to a lopsided appearance of comparisons of the items in the table:

Appropriation bills, as of Sept. 17, 1965

[In millions of dollars]

	Budget estimates	House passed	Comparison	Budget estimates	Senate passed	Comparison		Final action	Final compared with—		
						Budget	House		Budget	House	Senate
District of Columbia.....	(387.5)	(356.3)	(-31.2)	(389.3)	(364.4)	(-25.0)	(+8.1)	(360.2)	(-29.1)	(+3.9)	(-4.1)
Federal payment.....	53.1	44.1	-9.0	53.1	49.1	-4.0	+5.0	46.1	-7.0	+2.0	-3.0
Loan authorization.....	(26.3)	(26.3)		(26.3)	(26.3)			(26.3)			
Interior Department.....	1,240.8	1,184.1	-56.8	1,241.6	1,230.8	-10.7	+46.7	1,212.7	-28.8	+28.6	-18.1
Borrowing authority.....	(16.8)	(16.8)		(16.8)	(16.0)	(-8)		(16.0)	(-8)		
Treasury-Post Office.....	6,708.5	6,604.4	-104.1	7,749.8	7,698.7	-51.1	+1,094.3	7,669.4	-80.3	+1,065.0	-29.2
Labor-HEW.....	8,293.8	7,964.0	-329.8	8,293.8	8,023.1	-270.7	+59.1	8,011.3	-282.5	+47.3	-11.8
Independent offices.....	14,531.0	14,109.9	-421.1	14,566.0	14,299.9	-266.1	+190.0	14,246.2	-319.9	+136.3	-53.7
Agriculture.....	5,815.1	5,717.8	-97.3	5,782.6	6,714.0	+931.3	+996.2				
Loan authorization.....	(787.0)	(787.0)		(787.0)	(852.0)	(+65.0)					
State, Justice, Commerce.....	2,167.7	2,085.7	-82.0	2,171.9	2,052.5	-119.5	-33.2	2,057.6	-114.3	-28.1	+5.1
Legislative.....	204.9	150.6	-54.3	243.3	190.8	-52.4	+40.3	190.0	-53.3	+39.4	-8
Public works.....	4,373.8	4,241.6	-132.2	4,387.6	4,327.6	-60.0	+86.0				
Defense.....	45,248.8	45,188.2	-60.6	46,972.8	46,877.1	-95.8	+1,688.8	46,887.2	-85.7	+1,698.9	+10.1
Military construction.....	2,049.0	1,755.5	-293.5	2,049.0	1,759.5	-289.5	+4.0	1,756.6	-292.4	+1.1	-2.9
Labor-HEW supplemental.....	1,553.9	1,223.2	-330.7	1,553.9	1,407.2	-146.7	+184.0	1,223.2	-330.7		-184.0
Foreign aid.....	4,188.9	4,001.5	-187.5	4,188.9	13,907.2	1-281.7	1-94.3				
Total, 1966 bills.....	96,429.6	94,270.7	-2,158.9	99,254.4	98,537.4	-717.0	+4,266.7	83,300.4	-1,594.9	+2,990.6	-288.3

¹ As reported.

(Mr. MAHON asked and was given permission to proceed for 2 additional minutes.)

Mr. MAHON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include a short summary tabulation on the appropriations business of the session to date.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. MAHON. Mr. Speaker, I first wish to thank the gentleman from Ohio [Mr. Bow] for his remarks. We will continue to work together in an effort to dispose of these bills as expeditiously as circumstances permit.

Mr. Speaker, under leave to extend, may I say that both Houses have now passed all of the regular annual appropriation bills for the current fiscal year. Three of them—agriculture, public works, and foreign assistance—are pending in conference and it is perhaps not

too much to say that prospects for early conference disposition look encouraging.

The House this session has considered budget requests of \$101.1 billion and cut \$2.4 billion from that total, with the closing supplemental yet to come to the floor.

The Senate has considered \$104 billion of budget requests; allowed \$103.1 billion; thus making a net reduction of some \$900 million.

The bills which have cleared conference during the session entailed budget requests of \$89.6 billion. Against this, Congress appropriated \$87.8 billion, a net reduction of \$1.8 billion.

Any contemplation of session totals must embrace the so-called permanent appropriations which recur automatically under previous law; interest on the national debt is the preponderant item. These appropriations roughly approximate \$12.3 billion for fiscal 1966.

I include a summary tabulation of the totals to date:

Summary of totals of the appropriation bills, 89th Cong., 1st sess., to Sept. 28, 1965

[NOTE.—Treasury loan authorizations, roughly approximating \$900,000,000, are not in this summary. Nor are undetermined "backdoor" appropriations. Nor are permanent appropriations not requiring action in the session, roughly approximating \$12,300,000]

	All figures are rounded amounts		
	Bills for fiscal 1966	Bills for fiscal 1966	Bills for the session
A. House actions:			
1. Budget requests for appropriations considered	\$4,668,000,000	\$96,430,000,000	\$101,098,000,000
2. Amounts in bills passed by House	4,418,000,000	94,271,000,000	98,689,000,000
3. Reduction below corresponding budget requests	-250,000,000	-2,159,000,000	-2,409,000,000
NOTE.—All bills except final supplemental are included—precise budget requests unknown.			
B. Senate actions:			
1. Budget requests for appropriations considered	4,723,000,000	99,254,000,000	103,977,000,000
2. Amounts in bills passed by Senate	4,558,000,000	98,487,000,000	103,045,000,000
3. Above House amounts in these bills	+140,000,000	+4,217,000,000	+4,357,000,000
4. Reduction below corresponding budget requests	-165,000,000	-767,000,000	-932,000,000
NOTE.—All bills except final supplemental are included—precise budget requests unknown.			
C. Final actions:			
1. Budget requests for all bills cleared conference	4,723,000,000	84,895,000,000	89,618,000,000
2. Final amounts approved	4,527,000,000	83,301,000,000	87,828,000,000
3. Comparisons—			
a. With corresponding budget requests	-196,000,000	-1,594,000,000	-1,790,000,000
b. With corresponding fiscal 1965 amounts		+381,000,000	
c. With bills of the last session			+ (?)
NOTE.—4 bills for fiscal 1966 not included (involving budget requests: Agriculture, \$5,782,000,000; public works, \$4,367,000,000; foreign assistance, \$4,189,000,000; and final supplemental, amounts unknown).			

¹ Includes 2 unusually large budget items not considered originally in the House: \$1,700,000,000 on the Defense bill and \$1,035,000,000 on the Treasury bill (this latter item being classified as a supplement to fiscal 1965 rather than a fiscal 1966 appropriation).

² Includes \$201,000,000 for fiscal 1967 (grants for airports and mass transportation).

³ Undeterminable until the last bill is enacted.

(Mr. BOW asked and was given permission to extend his remarks and to include charts.)

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

SUBCOMMITTEE ON ELECTIONS OF COMMITTEE ON HOUSE ADMINISTRATION

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Subcommittee on Elections of the Committee on House Administration have permission

to sit while the House is in session during general debate today.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

TO AMEND THE CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961

Mr. POAGE. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (S. 1766) to amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or

insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply and water systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes, with Senate amendments to the House amendments, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments to the House amendments, as follows:

Page 3, line 12, of the House engrossed amendments, strike out "(4)a." and insert "(4) (A)".

Page 3, line 16, of the House engrossed amendments, strike out "(b)" and "(B)".

Page 4, line 18, of the House engrossed amendments, strike out "Provided further, That no" and insert "No".

Page 4, line 23, of the House engrossed amendments, strike out "In" and insert "(10) In".

Page 5, line 16, of the House engrossed amendments, strike out "loan" and insert "Act".

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. HARVEY of Indiana. Mr. Speaker, reserving the right to object, and I shall not object, will the gentleman from Texas explain briefly the nature of these amendments.

Mr. POAGE. Each one of them is typographical or clerical, made necessary by errors in engrossment of the bill as it went over to the other body.

Mr. HARVEY of Indiana. Mr. Speaker, I withdraw my reservation of objection.

(Mr. HARVEY of Indiana asked and was given permission to revise and extend his remarks.)

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Senate amendments to the House amendments were concurred in.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND TODAY

Mr. MULTER. Mr. Speaker, I ask unanimous consent that all Members who desire to do so may revise and extend their remarks in Committee of the Whole today and include extraneous matter.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

CALL OF THE HOUSE

Mr. HALEY. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.



Public Law 89-240
89th Congress, S. 1766
October 7, 1965

An Act

79 STAT. 931

To amend the Consolidated Farmers Home Administration Act of 1961 to authorize the Secretary of Agriculture to make or insure loans to public and quasi-public agencies and corporations not operated for profit with respect to water supply, water systems, and waste disposal systems serving rural areas and to make grants to aid in rural community development planning and in connection with the construction of such community facilities, to increase the annual aggregate of insured loans thereunder, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 306(a) of the Consolidated Farmers Home Administration Act is amended to read as follows:

“(1) The Secretary is also authorized to make or insure loans to associations, including corporations not operated for profit, and public and quasi-public agencies to provide for the application or establishment of soil conservation practices, shifts in land use, the conservation, development, use, and control of water, and the installation or improvement of drainage or waste disposal facilities, and recreational developments, all primarily serving farmers, ranchers, farm tenants, farm laborers, and other rural residents, and to furnish financial assistance or other aid in planning projects for such purposes.

“(2) The Secretary is authorized to make grants aggregating not to exceed \$50,000,000 in any fiscal year to such associations to finance specific projects for works for the development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas. The amount of any grant made under the authority of this paragraph shall not exceed 50 per centum of the development cost of the project to serve the area which the association determines can be feasibly served by the facility and to adequately serve the reasonably foreseeable growth needs of the area.

“(3) No grant shall be made under paragraph 2 of this subsection in connection with any facility unless the Secretary determines that the project (i) will serve a rural area which is not likely to decline in population below that for which the facility was designed, (ii) is designed and constructed so that adequate capacity will be or can be made available to serve the present population of the area to the extent feasible and to serve the reasonably foreseeable growth needs of the area, or (iii) is necessary for orderly community development consistent with a comprehensive community water or sewer development plan of the rural area and not inconsistent with any planned development under State, county, or municipal plans approved as official plans by competent authority for the area in which the rural community is located and the Secretary shall establish regulations requiring the submission of all applications for financial assistance under this Act to the county or municipal government in which the proposed project is to be located for review and comment by such agency within a designated period of time. Until October 1, 1968, the Secretary may make grants prior to the completion of the comprehensive plan, if the preparation of such plan has been undertaken for the area.

Consolidated
Farmers Home
Administration
Act of 1961,
amendments.
75 Stat. 308.
7 USC 1926.
Loans to associ-
ations, corpor-
ations, etc.

Limitation.

Conditions.

"Development
cost."

"(4) (A) The term 'development cost' means the cost of construction of a facility and the land, easements, and rights-of-way, and water rights necessary to the construction and operation of the facility.

"Project."

"(B) The term 'project' shall include facilities providing central service or facilities serving individual properties, or both.

50 Stat. 869;
75 Stat. 318.
16 USC 590r-
590x-4.

"(5) No loan or grant shall be made under this subsection which would cause the unpaid principal indebtedness of any association under this Act and under the Act of August 28, 1937, as amended, together with the amount of any assistance in the form of a grant to exceed \$4,000,000 at any one time.

"(6) The Secretary may make grants aggregating not to exceed \$5,000,000 in any fiscal year to public bodies or such other agencies as the Secretary may determine having authority to prepare official comprehensive plans for the development of water or sewer systems in rural areas which do not have funds available for immediate undertaking of the preparation of such plan.

"(7) Rural areas, for the purposes of water and waste disposal projects shall not include any area in any city or town which has a population in excess of 5,500 inhabitants.

"(8) In each instance where the Secretary receives two or more applications for financial assistance for projects that would serve substantially the same group of residents within a single rural area, and one such application is submitted by a city, town, county or other unit of general local government, he shall, in the absence of substantial reasons to the contrary, provide such assistance to such city, town, county or other unit of general local government.

Water pollution
restrictions.

"(9) No Federal funds shall be authorized for use unless it be certified by the appropriate State water pollution control agency that the water supply system authorized will not result in pollution of waters of the State in excess of standards established by that agency.

"(10) In the case of sewers and waste disposal systems, no Federal funds shall be advanced hereunder unless the appropriate State water pollution control agency shall certify that the effluent therefrom shall conform with appropriate State and Federal water pollution control standards when and where established."

Real estate
loans.
76 Stat. 908.
7 USC 1928.

SEC. 2. (a) Section 308 of the Consolidated Farmers Home Administration Act of 1961 is amended by—

(1) striking out "\$200,000,000" and inserting in lieu thereof "\$450,000,000";

(2) in clause (a) striking out "except that no agreement shall provide for purchase by the Secretary at a date sooner than three years from the date of the note"; and

(3) striking out clause (b) and inserting in lieu thereof "(b) may retain out of payments by the borrower a charge at a rate specified in the insurance agreement applicable to the loan".

75 Stat. 309.
7 USC 1929.

(b) Section 309(e) of such Act is amended by striking out "such portion of the charge collected in connection with the insurance of loans at least equal to a rate of one-half of 1 per centum per annum on the outstanding principal obligations and the remainder of such charge" and inserting in lieu thereof "all or a portion, not to exceed

October 7, 1965

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Pub. Law 89-240
79 STAT. 932

one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge".

(c) Section 309(f)(1) of such Act is amended by striking out "76 Stat. 632. \$25,000,000" and inserting in lieu thereof "\$50,000,000". 7 USC 1929.

Approved October 7, 1965, 10:15 a.m.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 847 accompanying H. R. 10232 (Comm. on Agriculture).

SENATE REPORT No. 500 (Comm. on Agriculture & Forestry).

CONGRESSIONAL RECORD, Vol. 111 (1965):

July 23: Considered and passed Senate.

Sept. 23: Considered and passed House, amended, in lieu of
H. R. 10232.

Sept. 24: Senate concurred in House amendments.

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